

Vontobel

ESG Integration and Stewardship



Report 2022

Asset Management

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Foreword

2022 was marked by a storm of events. The geopolitical landscape changed fundamentally and in turn, financial markets were negatively impacted. In addition to the ongoing repercussions from the Covid-19 pandemic, the war in Ukraine and its impact on global trade and energy markets caused supply chain problems, resulting in shortages of various goods and services. High inflation was a major concern in many countries and led to unprecedented series of interest rate increases by central banks. Amongst these turbulent times, ESG remained a central topic for our clients and for our society as a whole.

As a global investment firm and a responsible corporate citizen, Vontobel is committed to incorporating ESG considerations into our active investment decisions and to empower our clients to consider sustainability to the best of our reach. This is why we introduced six sustainability commitments which set out the key levers we have identified to deliver our sustainability positioning. We also introduced four ESG investment principles to lead our investment approach to ESG within our multi-boutique model. We incorporated these because we believe, over time, this will help drive the transition to a more sustainable economy and society, whilst enabling our clients to better achieve their investment objectives.

One of our ESG investment principles emphasizes our commitment to provide transparency through disciplined disclosure and reporting with all our stakeholders. Accordingly, I am delighted to share with you this ESG integration and stewardship report and I trust you will find it insightful. ESG is a continuously evolving topic which requires an active dialogue amongst stakeholders to exchange different perspectives and continue to drive innovation. On this basis, I hope this report is a valuable contribution to these important conversations.

Christel Rendu de Lint, PhD

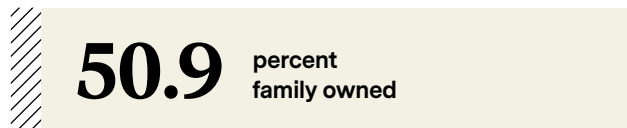
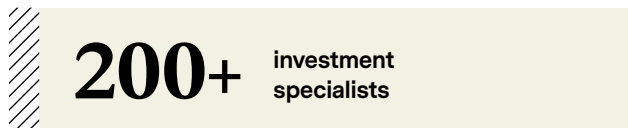
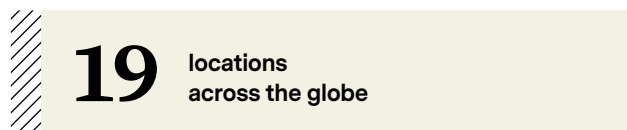
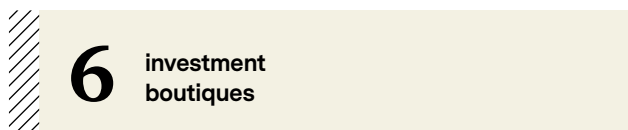
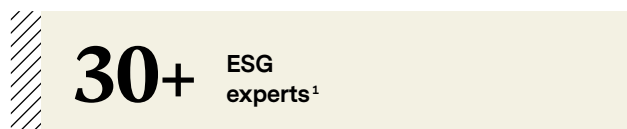
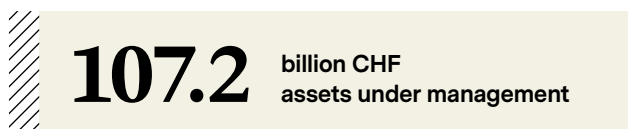
Head of Investments

Our profile

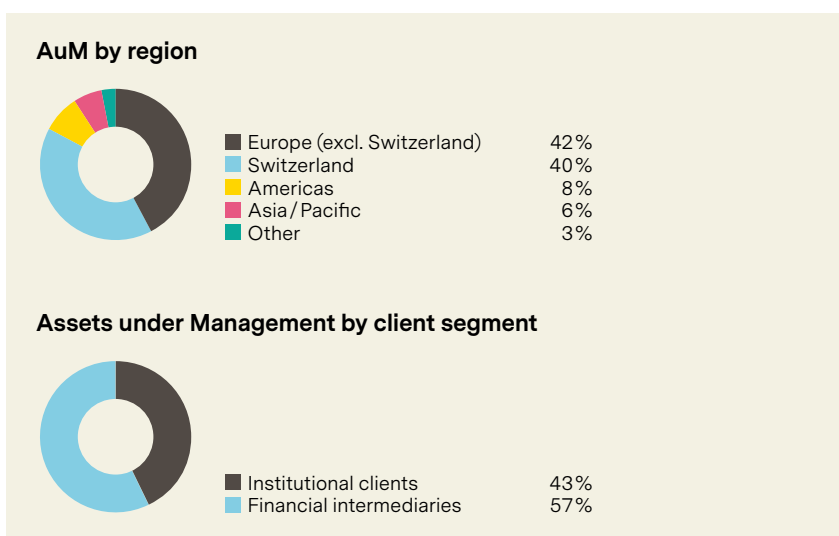
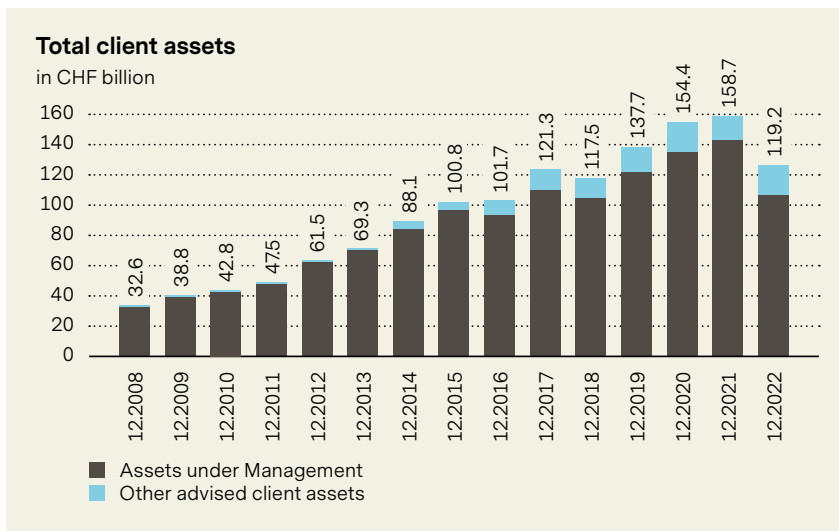
Stable ownership structure, family holding ensures holding ensures we think long-term, while listing enables co-ownership and transparency.

Performance-focused multi-boutique model Foundation for high conviction, highly active investment management, with clients as long-term partners.

Vontobel has been offering ESG investment solutions since 1998 and has been carbon neutral as a company since January 1, 2009.



¹ More information about our ESG experts can be found on page 75.



Client assets by boutique¹

ASSET CLASS	BOUTIQUE	CLIENT ASSETS IN CHF B
Equities	Quality Growth	22.1
	Sustainable Equities	14.2
Fixed Income	Fixed Income	18.9
	TwentyFour	19.3
Multi Asset	Multi Asset	11.0
	Vescore	21.7
Total		107.2

→ More information about our financial reporting can be found under vontobel.com/financial-reporting

Positioning and strategic priorities

A client-centric investment firm— clearly positioned for clients and investors

The demand for professional investment solutions and individually tailored expert investment advice is growing constantly across all client groups and sections of the population, also as a means of addressing the increasing pension funding gap around the world. Following a prolonged phase of low interest rates, we are now once again confronted with the specter of inflation combined with rising interest rates, elevated uncertainty and heightened geopolitical tensions, which were present even before the outbreak of war in Ukraine. The investment environment is therefore very challenging and highly volatile.

At the same time, the wishes and behavior of clients are evolving—due in particular to ever faster technological advances and the new opportunities they create. Today, investors expect individual solutions at any time, in any location: They want problems to be solved in a single click. Practices that are already part of the everyday client experience in large areas of the retail industry are now also increasingly visible in the financial sector.

At Vontobel, we want to actively seize the growth opportunities resulting from changes in the investment environment and evolving client behavior at an early stage. Our aim is to thus set ourselves apart from the competition – leading the way in terms of the quality of our performance and client experiences. Our stable shareholder structure has always allowed us to think and act long-term. We are underlining our commitment to taking the client’s view with our exclusive focus on the buy-side business. This means that we are always on the side of the investor.

A pure-play investment manager based on four strategic levers

We are shaping our future direction based on our four strategic levers. Client-centric and investment-led are levers that are closely connected so that we can offer the best investment solutions tailored to client needs. Vontobel is convinced that client focus and investment expertise remain key to the success of our clients and the company. We want to anticipate the wishes of our clients so that we are always ready to deliver the right solutions. We are technology-enabled and intend to make even greater use of the power of technology. We could not achieve all this without our employees. We are powered by people because they make the difference in our industry—today and in the future.

Our Lighthouse Ambition 2030

As a long-term oriented investment firm, we have set our Lighthouse Ambition 2030: “By 2030, Vontobel will be known as one of the leading and most trusted global investment firms.” By concentrating on this shared long-term goal, we can ensure that the entire Vontobel organization is working together and moving in the same direction. The Ambition encompasses that by 2030, Vontobel will be recognized as one of the leading and most trusted global investment firms with an entirely client-centric organizational set-up. Our clients and investment processes will be supported by digital data and analysis. Content, data and artificial intelligence will be at the heart of what we do. Our work will center around investing and the solutions we create will be best-in-class for alpha, beta and also income products.

Priorities 2023–2024

To ensure the requisite degree of agility and flexibility, the firm operates towards the clear long-term vision in two year sprints with concrete targets and business plans. This approach based on focused and agile rolling two year plans, ensure that our short- and medium-term efforts firmly align with our long-term Lighthouse Ambition 2030.

For the Period 2023–2024 the Board of Directors and the Executive Committee defined four strategic priorities:

1. Delivering future-proof investment solutions
2. Delivering best-in-class private client experiences
3. Accelerating our US growth
4. Scaling value creation

→ More information about our positioning, the way we operate and our strategic priorities can be found in Vontobel Group’s Annual Report.

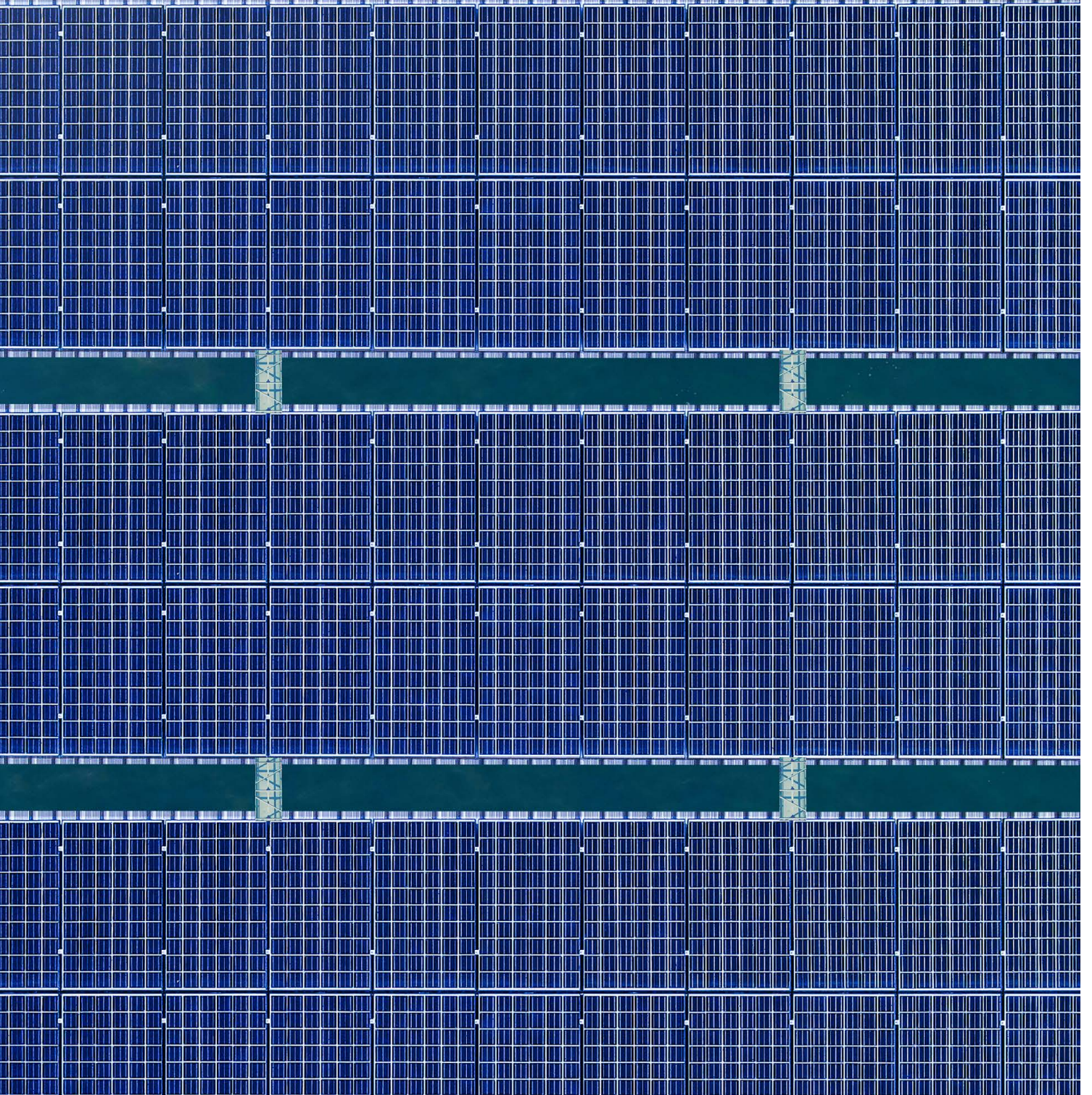
Sustainability is part of our strategy

“Transition to sustainability” is explicitly integrated under our first strategic priority to deliver future-proof investment solutions. We will work towards the expansion of our ESG offering and live by our principles.

Apart from our 2023–2024 priorities, the sustainability positioning and six sustainability commitments have been defined as a strategic foundation by the Board of Directors, in collaboration with the Executive Committee, from 2023 onwards. More information about these commitments can be found on page 12.

This report provides an overview about our ESG-related activities and processes.

Introduction



Our ESG activities in 2022

6 sustainability commitments

Vontobel has expanded its sustainability positioning to include 6 commitments that set out our contribution to a more sustainable economy and society.

→ More about these commitments on page 12.

4 ESG investment principles

In 2022, our investment teams formalized four common ESG investment principles that focus on: enabling our clients to achieve their investment objectives, voting and engagement, accountability, transparency. These principles will be measured from 2023 onwards.

→ More about our four ESG investment principles on page 17.

29.0 billion

CHF AuM in sustainable strategies, representing 28 percent of our AuM.¹

→ More about our product categories on page 18.

20+

We currently market 20+ strategies with sustainability criteria and are able to offer customized solutions based on client-specific requirements.²

4 out of 5 stars

Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded 4-star rating in 2022 for the PRI module “Investment and Stewardship Policy”.³

¹ As per 31.12.2022

² More information about this approach can be found on page 18.

³ The rating we received in 2022 was based on the report we completed in 2021, which reflected our activities conducted in 2020. During the past years, UN PRI experienced significant delays.

Our ESG journey

Our heritage

Responsible entrepreneurship has always been part of Vontobel's corporate culture. Much of what is key to Vontobel today was already visible in the early years of the company. Vontobel dates back to 1924. Even in those difficult years, the founding generation, led by Jakob Vontobel, was committed to implementing a sound business policy and conservative capital position and thus laid the foundations for the system of values that Vontobel still upholds today.

Moderation as a key principle

The second generation led by Dr. Hans Vontobel was committed to the principle of moderation throughout his life. The closest equivalent to the term sustainability may well be "moderation". The original definition of sustainability is to only harvest as much wood from the forest as can be regenerated naturally within a foreseeable period. Dr. Hans Vontobel was the son of Jakob Vontobel and, from 1943 onwards, spent decades working tirelessly for the company as a member of the second generation. He also brought an entirely new dimension to Vontobel's system of values—that of social commitment.

Responsible corporate citizen, pioneer in ESG investing

Vontobel acts as a responsible corporate citizen and employer, supporting communities and considering environmental aspects when running its own operations. Sustainability also plays a relevant role in our business activities. As a pioneer in this field, we have been offering our clients a range of investment solutions that incorporate ESG criteria since the 1990s. Institutional investors can obtain the entire range of sustainable solutions from us. These include various equity funds in which sustainability aspects form an important criterion for the valuation and selection of companies. This philosophy was formalized into our ten sustainability principles in 2007, emphasizing on the one hand Vontobel's commitment towards sustainable investments, as a corporate citizen, employer, and provider of investment solutions. Vontobel further developed its sustainability positioning, and the principles were replaced with the six sustainability commitments (more information can be found on page 12).

We remain true to our own founding principles. In 2016, Dr. Maja Baumann, granddaughter of Dr. Hans Vontobel, and Björn Wettergren, his great-nephew, were elected as members of the Board of Directors of Vontobel Holding AG representing the founding families. They are the fourth generation of the families to assume a position of responsibility within the company. They both feel committed to upholding the values of previous generations and ensure that Vontobel continues to write its corporate history in terms of sustainability over the coming decades.



“As owners thinking for the long term, we support Vontobel’s efforts to play an active role in the sustainable transformation of our economy and society for future generations.”

—
Dr. Maja Baumann
 Fourth generation of the Vontobel family and member of the Board of Directors

Key dates

1998

Vontobel's first ESG investment solutions

The first investment solutions followed a best-in-class approach, i.e., investing in companies with above-average sustainability, based on a positive assessment of the company's performance, first in the environmental sector, later also in the areas of governance and social areas.

2007

Vontobel's ten "sustainability principles"

Vontobel defined its commitment to sustainability in exact terms in 2007 in the form of its ten sustainability principles. From the integration of sustainability in our investment activities to being a fair employer and acting in an environmentally friendly manner, these principles cover the entire range of our activities as a financial institution.

2009

Vontobel became carbon neutral

Vontobel has been carbon-neutral for Scope 1, Scope 2 and Scope 3 emissions from its operational activities since January 1, 2009.¹ Each year, we offset the greenhouse gas emissions we produce by purchasing CO₂ emissions certificates to support projects that save the equivalent volume of emissions.

2010

Vontobel became a signatory of the Principles for Responsible Investments (PRI)

Through signing of the Principles for Responsible Investments, Vontobel has committed itself to gradual implementation of six principles for the broad integration of sustainability in investment processes.

In 2022, Vontobel was awarded a 4-star rating for the PRI module "Investment and Stewardship Policy".²

2011

Group-wide exclusion of controversial weapons

All our investments must fulfil minimum requirements. Cluster munitions and land mines are banned by international conventions. Vontobel therefore approved a group-wide policy that prohibits investments in companies that manufacture these types of weapons. Stringent processes ensure that no manufacturers of cluster munitions and land mines are included in our investment funds, discretionary mandates or investment recommendations.

2017

Alignment with UN Global Compact Principles

The Global Compact is a strategic initiative of the United Nations for companies such as Vontobel that commit themselves to aligning their business activities and strategies with ten universally accepted principles covering human rights, labor standards, environmental protection, and anti-corruption.

2019

Sustainable Investing Policy

This policy details how Vontobel approaches sustainable investing. In particular, it explains our rationale, our SI objectives, governance structure and how we implement this policy across our business divisions.

2021

Signatory of the UK Stewardship Code

Vontobel Asset Management has demonstrated its commitment to effective stewardship through compliance with the principles of the UK Stewardship Code.

Vontobel is a member of various organizations and a co-signatory to a number of investor initiatives. In this way, we have committed ourselves to sustainable development of the environment and society.

→ Find more about our memberships on page 76 and on our website under vontobel.com/ratings-and-memberships

2022

Six sustainability commitments

In 2022, the Board of Directors laid the strategic foundations for Vontobel's sustainability commitment from 2023 onwards. In collaboration with the Executive Committee, it defined the Group's sustainability positioning and six sustainability commitments.

→ Find more about our six sustainability commitments on page 12.

Four ESG investment principles

In 2022, our investment teams formalized four common ESG investment principles, that will be measured from 2023 onwards.

→ More about our four ESG investment principles on page 17.

¹ We base our carbon emission calculations on the GHG Protocol. In our scope 3 operations emissions we include energy-related emissions not included in Scope 1 or 2, business travel with external vehicles, commuting, food, paper, printing, mailings, waste, and water. Other Scope 3 emissions are not included. The Vontobel Corporate Sustainability Committee once again selected a climate neutrality project with a focus on forest conservation and the protection of biodiversity in 2022. The project runs under the Verified Carbon Standard (VCS). Detailed information about the project is available at: vontobel.com/environmental-sustainability.

² The rating we received in 2022 was based on the report we completed in 2021, which reflected our activities conducted in 2020. Due to its new framework, PRI experiences a delay in assessing 2021 reports.

Looking ahead— Our sustainability positioning

The sustainability commitments set out the key levers that we have as a global investment firm and as a corporate citizen to deliver on the promise we have made based on our Group sustainability positioning. The sustainability positioning and six sustainability commitments have been defined as a strategic foundation by the Board of Directors, in collaboration with the Executive Committee, from 2023 onwards. The Board of Directors is informed regularly about the progress achieved in implementing the sustainability commitments. We are working systematically across all our Client Units and Centers of Excellence to deliver on our six sustainability commitments and, in doing so, are helping drive the transition to a more sustainable economy and society.

Our sustainability positioning

“Sustainability has always been a focus for our owner families, now in their fourth generation. As corporate citizens, we honor their commitment by contributing to the health of our local communities. As a global investment firm, we empower investors with the necessary knowledge, tools and investment options to consider sustainability in the building of their better futures. Through these efforts, we contribute to the UN’s SDGs and aim for our impact to be proportionate to our reach.”

Our stakeholders

- Clients
- Shareholders
- Employees
- Regulators
- Community



Our six sustainability commitments



Achieve net-zero by 2030 in our banking book investments and operations.

By 2030, we aim to be net-zero¹ with our green-house gas emissions (GHG) in our operations and banking book investments. Additionally, we aim to be net-zero with our GHG emissions in our trading book bond investments by 2050.



Continue creating a great workplace where everyone can thrive.

Our work practices advance equality, diversity, and inclusion and foster a workplace environment where everyone has the opportunity to develop and reach their full potential. Mutual respect and openness, without discrimination, shape our culture.



Empower our stakeholders to challenge us through governance and transparency.

We see transparency as a key tool for empowering our clients to track how we deliver on our sustainability ambitions. And we see good governance (the “G” in ESG) as a key mechanism to ensure delivery of our ESG strategy, at both the product and corporate levels. We report on our sustainability-related performance using state-of-the-art reporting standards.



Advise our private clients on the benefits, opportunities and risks of ESG investments.

We advise our private clients on the risk / return characteristics of ESG investments to help them build portfolios that meet their goals, and we want to offer them a comprehensive product shelf to choose from. This will entail the creation of sustainability profiles for clients, based on their investment needs, across different regions and jurisdictions.



Incorporate ESG consideration into active investment decisions.

We believe that ESG consideration is part of our fiduciary duty, requires investment team accountability, and demands transparency. For this reason, our investment teams subscribe to four ESG investment principles. This foundation enables us to offer a wide range of ESG solutions, in response to our clients’ desired investment objective(s), which can be any one, or a balance of, the following:

1. optimizing risk-adjusted performance through the consideration of financially material ESG issues;
2. mitigating negative environmental and social impact from investments; and
3. investing in companies that provide products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).



Be an active member of the local community.

Vontobel operates with the spirit of citizenship to foster quality of life in the places we live and work. We do this by providing jobs and enabling and encouraging our employees to play an active role in their local communities. Vontobel and the charitable Vontobel Foundation have sponsored projects in the areas of social welfare, medical research, nature and culture since 1993.

¹ Net-zero means achieving a balance between emissions and removals of GHGs from the atmosphere (ISO IWA 42:2022), Scope 1–3 in our own operations and Scope 1–2 in our banking book. Our commitment is aligned with the 2015 Paris Agreement goal to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. We will step up our efforts to reduce emissions and will neutralize residual emissions at the net-zero target year and any GHG emissions thereafter.

ESG governance



ESG guiding principles and policies

Code of Conduct

Our Code of Conduct defines principles and practices that employees, governing bodies and all representatives who act on behalf of Vontobel must observe to ensure that we perform our business activities in a fair, ethical, transparent and responsible manner.

For our investment activities, we have further policies in place.

Guidelines on cluster bombs and landmines

Cluster bombs and landmines are banned by international convention. In 2012, Vontobel approved a Group-wide guideline that prohibits investment in companies that manufacture these types of weapons.

Sustainable Investing and Advisory Policy

This Group-wide policy details how Vontobel approaches sustainable investing. In particular, it explains our rationale, our sustainable investing objectives, governance structure and how we implement this policy across our business divisions.

Voting and Engagement policies

Whenever authorized to do so, we actively exercise voting rights for all Vontobel funds. Furthermore, we maintain an active dialogue with all companies in which the funds invest. Vontobel Asset Management has a voting policy and engagement policy in place. They define how Vontobel Asset Management fulfils this responsibility.

Any amendments to the policy may then be made by the policy owner and must be duly approved by the unit responsible for issuing the corresponding policy document, e.g., the Executive Committee of Vontobel Holding AG grants the approval for group policies. The policies are regularly reviewed in accordance with the process described on page 71.

→ Find out more about our guidelines and policies in our ESG Library on page 80.

ESG governance structure¹

We strive to conduct our business sustainably at all times based on our conviction that sustainability goes hand-in-hand with business success and stability. Sustainability and an effective business strategy are closely interconnected. For this reason, Vontobel is committed to sustainable business management and to continuously optimizing our approach in all our divisions in the long term.



↓ Delegates
 ↑ Informs, can escalate

Corporate Sustainability Committee

Purpose and mandate

The Corporate Sustainability Committee (CSC) has a delegated authority from the Executive Committee of Vontobel Holding AG to oversee and govern the firm-wide sustainability/ESG initiatives, including the ongoing activities (“run”) and oversight of the “change”, with a particular focus on the firm’s sustainability commitments. It ensures compliance of all entities with the firm-wide risk appetite. This includes implementation of the sustainability commitments, implementation of external regulatory frameworks and the appropriate communication about our sustainability framework. Sustainability/ESG implementation within Investments is managed by the respective boutiques under the Investment Management Committee and reported to the CSC.

Members

- Client Units representatives
- Centers of Excellence representatives, including Investments representatives

Meeting frequency

Quarterly

ESG Investment Forum²

Purpose and mandate

The ESG IF is mandated by the Head of Investments to define the ESG product framework for the CoE Investment, formulate investment related stewardship policies, contribute to good ESG product governance by assessing new or re-positioned investment product quality by reviewing the investment approaches of boutiques and strategies in terms of ESG quality, resources, team set-up, ESG data usage, credibility, sophistication, etc. The ESG Investment Forum discussions are centered on reviewing and challenging ESG approaches and governance structures. This setup should support improved ESG quality of Vontobel ESG products and ESG governance structure over time.

Members

- Chair nominated by Head of Investments,
- Head of AM/INV ESG Center (secretary),
- One representative per investment boutique nominated by the respective head of the investment boutique.

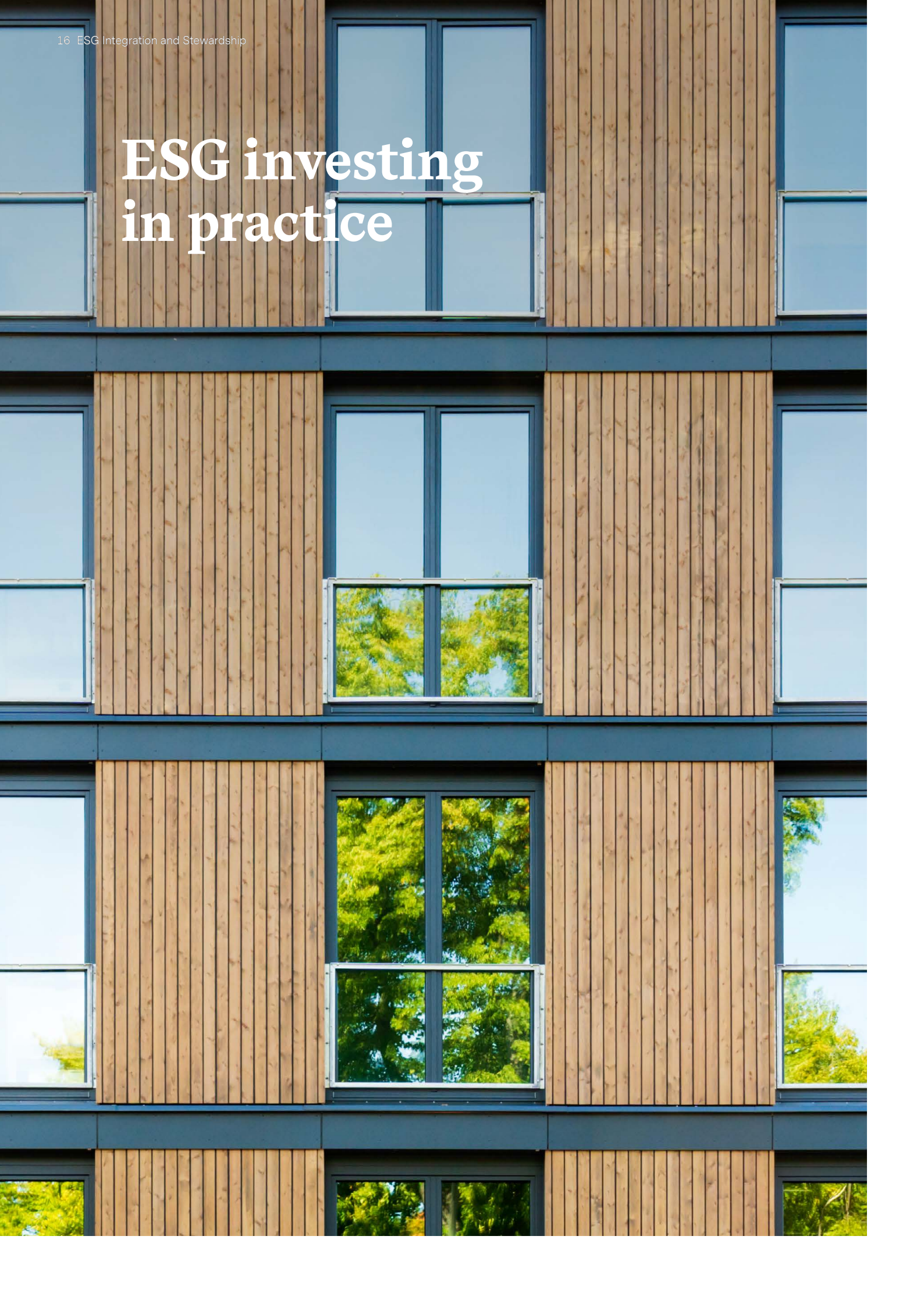
Meeting frequency

Monthly

¹ More information about our ESG-related governance processes can be found on page 68.

² Vontobel Group’s ESG governance structure has further structures in place, for example the “ESG Private Clients Forum”. The ESG Investment Forum has “Investments” (with the respective ESG leads of the investment boutiques) and Client Unit Asset Management represented.

ESG investing in practice



Our approach to ESG

As a pioneer in this field, we have been offering our clients a range of investment solutions that incorporate ESG criteria since the 1990s. We focus on active asset management based on a multi-boutique model with independent centers of competence, highly specialized investment teams and dedicated ESG analysts.

Our investment teams subscribe to four common ESG investment principles because we believe, over time, that this *enables our clients* to achieve their investment objectives. As active investors, we make use of the tools of *engagement and voting* to perform our fiduciary duty as stewards of our client's capital. Our investment teams are *accountable* for the application of our ESG investment principles, and we commit to *transparency* through disciplined disclosure, reporting and dialogue. The implementation of these principles will be measured from 2023 onwards, using selected key performance indicators (KPIs).

This foundation enables us to offer a range of investment solutions, in response to our clients' desired investment objectives, which may be any one, or a balance of, the following:

- Optimizing risk-adjusted performance through the consideration of financially material ESG issues.
- Mitigating negative environmental and social impact from investments.
- Investing in companies providing products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).

Our four ESG investment principles

1

We incorporate ESG considerations into our investment processes to enable our clients to better achieve their investment objectives.

3

Our investment teams are accountable for the application of our ESG investment principles.

2

As active managers, we leverage the tools of engagement and voting.

4

We are committed to transparency through disciplined disclosure, reporting and dialogue with all our stakeholders.



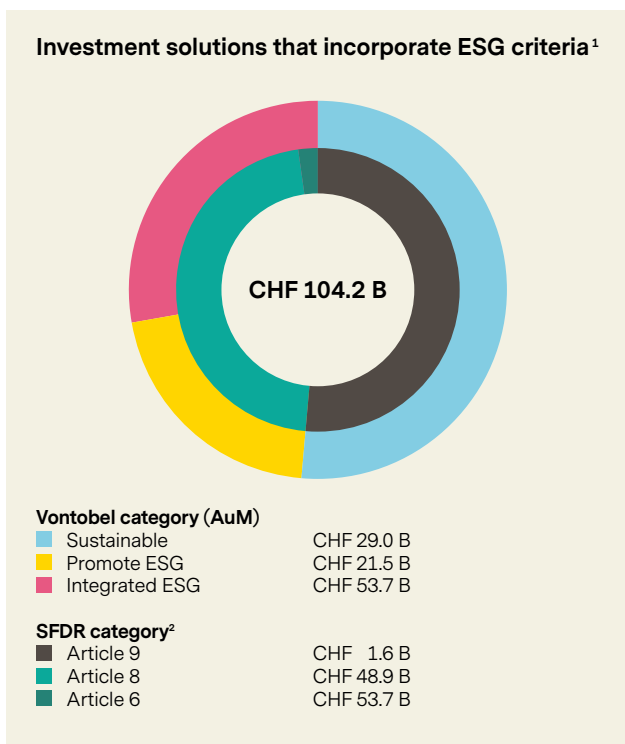
“We are investment-led and, to me, being investment-led means to display investment integrity in everything that we do. We can only help and partner with our clients if we do not compromise on the quality of what we do. This approach also underpins the path to sustainability. When it comes to ESG, we have aligned our multi-boutique business model, which consists of multi-product, multi-investment teams, with four ESG investment principles.”

—
Christel Rendu de Lint, PhD
Head of Investments

1

Principle

We incorporate ESG considerations into our investment processes to enable our clients to better achieve their investment objectives.



Vontobel offers a range of ESG solutions. To ensure transparency and comparability, we have grouped all our investment solutions that integrate ESG criteria into three categories⁴:

1. “Integrated sustainability risks” (SFDR Article 6): Exclusion of controversial weapons and consideration of sustainability risks.
2. “Promote ESG” (SFDR Article 8): In addition to the integration of sustainability risks, these products consider material ESG factors and certain negative impacts on society and the environment during the investment process. Furthermore, subject to asset owners’ consent and operational feasibility, voting and engagement are aligned with the ESG strategy, and ESG reporting is available.
3. “Sustainable” (SFDR Article 8 or 9): In addition to the criteria applied to the “Promote ESG” category, these products further apply exclusions of certain sectors and industries. Certain products invest in companies that contribute to the realization of environmental and/or social objectives. These companies play a positive role in the sustainable development of the economy and society and capture opportunities arising from this transition.

We currently manage over 20 distinct strategies that integrate ESG criteria. In 2022, we further developed our ESG product range. The investment processes of some funds were amended to meet SFDR Article 8 requirements under the EU framework. The “Promote ESG” category has been developed in this context. In 2023, we plan to revise our product categories and product classification based on anticipated regulatory changes, particularly in the EU.

¹ As of December 31, 2022, Vontobel Asset Management had a total of CHF 104.2 billion of assets under management invested into solutions that incorporate ESG criteria. Due to rapid regulatory developments, categorization of Vontobel Asset Management’s products has changed significantly and 2022 figures are comparable to previous years only to a limited extent. We excluded non-discretionary mandates and Actively Managed Certificates (AMCs) from the 2022 figures.

² To ensure transparency and comparability, we have classified all of our investment solutions that integrate ESG criteria according to the SFDR. In the case of investment solutions that are not subject to SFDR, the classification has been applied mutatis mutandis. The change in AuM for the different SFDR categories in 2022 is partly due to a reclassification of products from Article 6 to Article 8. SFDR is not a labelling regime, but a disclosure regime. Accordingly, SFDR-article-products are not quality labels for sustainability and investors shall not take the mere presence of an SFDR-article-product disclosure as an indication of sustainability or quality label for sustainability per se.

³ Article 6 of the SFDR relates to products that disclose if and how sustainability risks are taken into account. For all of the investment solutions considered here, the continuous monitoring of sustainability risks forms part of the risk management process. This chart only shows those products covered by Article 6 of the SFDR that take account of ESG criteria.

⁴ Since Vontobel is a globally active financial expert, not all of our products fall within the scope of the European regulation SFDR. At present, there is no uniform internationally recognized framework for financial products that integrate ESG criteria. In the case of investment solutions that are not subject to SFDR, the classification has been applied mutatis mutandis. SFDR stands for Sustainability Related Financial Disclosures Regulation, namely Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector. SFDR is not a labelling regime, but a disclosure regime. Accordingly, SFDR-article-products are not quality labels for sustainability and investors shall not take the mere presence of an SFDR-article-product disclosure as an indication of sustainability or quality label for sustainability per se.

2

Principle

As active managers, we leverage the tools of engagement and voting.

As a signatory to the UN Principles for Responsible Investment, Vontobel Group commits to being an active owner and to incorporate environmental, social, and corporate governance (ESG) issues into its ownership policies and practices. We believe active ownership adds value between long-term partners. At the same time, we are convinced that voting and engagement can have a positive influence on companies, economies, societies, and the environment.

Since 2019, Vontobel Asset Management has had voting and engagement policies in place, corresponding statements can be found under am.vontobel.com/esg-investing.

We engage with companies and sovereign issuers for updates and issues of concern. As an active investment manager, we prefer to engage with the management of investee companies directly. We also use collaborative engagements, performed by third parties. Reasons to engage can include business strategy, corporate governance issues, change in the capital structure, remuneration issues, and identified environmental and social risks.

An important part of active ownership is our voting activities. Vontobel Asset Management recognizes that portfolio management of the assets of clients, which include stocks, may include an obligation to vote in relation to the stock. If authorized to do so, Vontobel Asset Management will vote in a manner which it reasonably believes to be in the best interest of the client and in line with any specific legal or regulatory requirements that may apply.

Our active ownership framework**Voting**

We have selected specialized voting service providers that provide us with voting research. The voting policies followed by these providers typically take into account ESG criteria.

We are working with:

- Responsible Engagement Overlay (reo®), by Columbia Threadneedle
- Institutional Shareholder Services (ISS)
- Ethos

Engagement*Direct engagement activities*

Our investment teams conduct engagement activities, either to better understand certain aspects of the ESG performance of the companies, or to raise specific issues of concerns.

Collaborative engagement activities

Our partnership with specialized stewardship service providers allows us to engage with other investors on ESG topics. In certain cases, we may also collaborate directly with other investors.

We are working with:

- Responsible Engagement Overlay (reo®), by Columbia Threadneedle
- Sustainalytics on selected thematic engagements

→ More information about our voting and engagement activities on page 36.

3

Principle

Our investment teams are accountable for the application of our ESG investment principles.

ESG capabilities embedded in our boutiques

We believe ESG considerations require investment team accountability. Our dedicated ESG analysts are embedded into our investment teams and their work is integrated into the investment process. This allows them to work closely together with financial analysts and portfolio managers, which fosters a continuous exchange. By embedding our ESG analysts in each investment boutique our clients benefit from deep expertise in specific asset classes.

In total, more than 30 specialists with different backgrounds work on ESG-related topics, be portfolio management, ESG research or overarching topics. They build on several years of investment experience and a strong track record in the ESG field. 14 of them are fully dedicated to ESG.

Key roles in the application of our four ESG investment principles

ESG analysts

Conduct ESG research and work on the further development of the integration of ESG considerations in our investment strategies.

14 ESG analysts²

Portfolio managers that manage “Promote ESG” and “Sustainable” funds¹

Apply the ESG investment process and work in close collaboration with the ESG analysts.

35 portfolio managers³

The implementation of the ESG investment principles will be measured from 2023 onwards for each of our investment boutiques and will be part of the annual performance review. Additionally, where relevant, additional specific ESG-related goals⁴ will be added to their remuneration criteria.

An integrated approach, firm wide collaborations

In addition to ESG analysts embedded in our investment boutiques, the ESG Center advises investment teams on the latest regulatory, market and product developments. This team plays an instrumental role in the continuous development of Vontobel’s ESG framework, building the link between investment team and other functions.

Each boutique is represented by an ESG Lead in the ESG Investment Forum, which serves as a decision-making body and a platform for discourse on relevant ESG topics. As a group, the ESG Investment Forum members shape the ESG product strategy, formulate investment-related ESG policies and assess investor ESG initiatives. The ESG Lead is appointed by the respective boutique’s head. More information about the ESG Investment Forum can be found on page 15. In addition to the Forum, exchange between ESG analysts is fostered through dedicated working groups.

¹ More information about our ESG product categories can be found on page 18.

² More information about our ESG experts can be found on page 74.

³ 19 are managing “Sustainable” funds.

⁴ More information about our remuneration policy can be found on page 73.

4

Principle

We are committed to transparency through disciplined disclosure, reporting and dialogue with all our stakeholders.

Disciplined disclosure

We commit to transparently disclosing the ESG process that we apply for our financial products, where those integrate ESG criteria in the investment process. This information is typically included in the respective pre-contractual disclosures. The extent and focus of the disclosures depend on the ESG process applied, ranging from the sole consideration of financially material sustainability risks to investments in companies that positively contribute to an environmental or social objective.

Reporting on our ESG activities on a regular basis

We report regularly on Vontobel's ESG activities through our yearly reports.

For Vontobel Group:

- Corporate Responsibility & Sustainability Report
- UN PRI Transparency Report

For Vontobel Asset Management:

- ESG Integration and Stewardship Report
- Voting and Engagement Report
- Voting records

The reports are available under am.vontobel.com/esg-investing.

In recent years, we further developed specialized reporting at product level such as:

- ESG data included in fund factsheets (made available on a monthly basis on our website)
- Regulatory SFDR fund reports (available on a yearly basis for our investment funds in scope of SFDR)
- Impact reports for listed impact strategies
- Individual reports for clients

While factsheets include standardized data, such as fund's MSCI ESG rating or E, S and G scores, other reports are designed to be in line with the respective investment process and goals. The information covers for example aspects such as the ESG profiles and ESG ratings of certain investments, the ESG profiles of our mandates and funds—including benchmark comparisons—and CO₂ reporting or impact-related information based on the UN Sustainable Development Goals (SDGs).

One example is the Impact Report published for our Listed Impact strategies on a yearly basis. For each strategy, a set of indicators are defined and linked to the impact pillars of the investment strategies. As an example, for the impact pillar “clean water”, the SDG 6 “Clean Water and Sanitation” is pursued, and the indicators “drinking water provided” and “water recycled, treated, saved” are tracked to quantify the impact. Moreover, we have developed a method designated “Potential Avoided Emissions” (PAE) together with ISS ESG.

→ The full Impact Reports 2022 are available on our website under am.vontobel.com.

In 2022, and as part of the implementation of SFDR reporting requirements (for financial products in scope of SFDR), we integrated ESG information in the fund Annual Reports, for our Article 8 and 9 SFDR products. Starting from 2023, we will publish these reports using the SFDR Regulatory Technical Standards (“RTS”) templates. The SFDR RTS will be used as standards for all financial products in scope of SFDR, providing comparability. These reports will be based on the binding ESG elements the financial product commits to, that are transparently disclosed in the pre-contractual disclosures of the respective financial product.

Engaging in a dialogue with our clients and stakeholders

Our communication with clients is always focused on their needs. Our goal is to provide relevant information to clients, to educate and inform them about how we are investing on their behalf. This allows clients to remain informed about market events and enables them to choose the products and services that best fit their needs.

Access to our views

Clients are able to access our views, as well as information on the products and services we offer through digital channels, including email, website, video platforms, webinars, and social media. Our Relationship Managers and Client Portfolio Managers are responsible for our direct interactions with clients, through regular calls, in-person meetings, and attendance at proprietary and industry events.

- A selection of our most recent content and publications are available on our website. Find more under vontobel.com/insights.

In 2022, Vontobel entered into an advisory partnership with the Financial Times (FT) Moral Money Forum and will be participating in the FT Moral Money Forum's Advisory Board for 18 months. The FT Moral Money Forum examines important issues in the ESG debate and highlights the macro and philosophical questions involved, as well as exploring and presenting different solutions being developed by participating organizations. Through the advisory partnership, Vontobel has two seats on the Advisory Board, and we are thus helping to shape the topics covered in the Moral Money reports in 2023.

Fostering a direct dialogue

To ensure all our client-facing and support staff are well-informed, we run two three-day events each year known as "AM Xchange" where our portfolio managers, our product specialists and other subject matter experts present their latest thinking, the current market trends and the future challenges coming our way. For example, specifically related to ESG, in 2022, we included an ESG update as part of these events, giving our relationship managers an overview over market developments. In addition, we host regular internal training and communication calls and also conduct external education and webinars whenever a significant number of clients want to know more about a particular topic.

The role of our relationship managers is to identify clients' needs and investment objectives, including those related to ESG. Based on that and where relevant, they provide our clients with appropriate information and regular updates that may also directly involve our ESG specialists.

ESG within our six investment boutiques

Equities

Quality Growth Boutique

CHF 22.1 B AuM

Focus

Active, bottom-up “high-quality growth at a sensible price” approach aiming to identify highly profitable companies with consistent earnings growth, stable franchises, and solid fundamentals that can perform well during economic expansions and tend to be resilient in difficult market environments.

Sectors

Global, US, international, European, Asia Pacific, emerging markets equities

ESG research is an extension of Quality Growth’ philosophy of long-term thinking and fits seamlessly into the existing research process. The team focuses on material issues rather than broad ESG scores, which enables them to understand and get ahead of risks that can jeopardize earnings predictability. ESG data that is integrated in the models and part of the research process is continually reviewed and enhanced. Engagement has always been a critical part of the investment process and standard practice is that all proxies are voted with full independence. The team establishes ESG engagement campaigns that cover themes such as gender diversity at board level, biodiversity, or GHG emissions. Through these engagement activities, companies are encouraged to enhance disclosure, documentation, and set goals for the long term.

Sustainable Equities Boutique

CHF 14.2 B AuM

Focus

Gain a clear understanding of the long-term market opportunity, competitive positioning within the industry, management strength, and exposure to ESG-related risks, based on in-depth company-by-company research, before making high-conviction investment decisions.

Sectors

Swiss, Asian, emerging markets, thematic, impact equities

The Sustainable Equities Boutique offers products from four franchises: mtX equity, Swiss equity, impact investing and thematic investing.

The mtX investment approach focuses on quality companies at reasonable valuations. Stocks with high return on invested capital (ROIC) and industry ranking, and trading below the mtX estimate of intrinsic value are considered potential investment candidates. From an ESG perspective, only stocks that pass the team’s proprietary assessment, also known as the minimum standard framework (MSF), are considered eligible for investment. Similarly, the Swiss Equities team assess companies from both financial and sustainability perspectives. They define qualitative ESG information for all portfolio stocks—similar to the mtX approach—with ESG criteria being assigned different weightings depending on the sector. For their dedicated investment solutions, additional exclusions are applied and a best-in-class approach. Listed Impact Equity strategies target companies that provide solutions to global challenges like climate change, scarcity of resources, food distribution and population growth. Such issuers contribute to pre-defined so called “Impact Pillars” through their products and services, based on pre-determined revenue thresholds and using a proprietary impact assessment score. Finally, our thematic investing team aims to identify long-lasting structural themes. They integrate ESG in their investment process by applying an exclusion and screening approach.

Fixed Income

Fixed Income Boutique

CHF 18.9 B AuM

Focus

Active high conviction investing away from common benchmark indices, based on identifying and exploiting inefficiencies in the fixed income universe.

Sectors

Global, Swiss, corporate, emerging markets, flexible fixed income

In the Fixed Income Boutique strategies, ESG factors are considered in the fundamental risk analysis of countries and companies for all portfolios. Considering ESG factors alongside financial data and credit metrics mitigates potential negative rating actions and leads to better investment decisions and improved returns. Country analysis for government issuers takes into account macro data, political analysis, and ESG factors to evaluate their impact on a country's credit rating. Data from recognized ESG research agencies is used, and our own specialists conduct further research. In our sustainable products, we aim to align our investment decisions with sustainable challenges in the social and/or environmental space. Our Green Bond strategy focuses on environmentally sustainable projects, such as solar energy and low carbon transportation, that make a measurable contribution to climate change mitigation.

TwentyFour Asset Management Boutique

CHF 19.3 B AuM

Focus

Targeting attractive risk-adjusted returns throughout the economic cycle, with a strong focus on capital preservation, integrating an innovative ESG framework.

Sectors

Asset-backed, investment-grade, outcome-driven, strategic fixed income

TwentyFour Asset Management (TwentyFour) integrates ESG factors alongside traditional credit metrics in its proprietary relative value database for all portfolios it manages. For its funds that promote ESG, it applies exclusions of certain controversial activities and invests only in companies which meet a minimum ESG score, based on its in-house scoring model. TwentyFour actively engages with companies as a key factor for fixed income investors and publishes engagement activities on its website and in regular client reporting. It is a signatory to the UK Stewardship Code 2020 and the UN PRI.

Multi Asset

Vontobel Multi Asset Boutique

CHF 11.0 B AuMs

Focus

Fundamental asset allocation across asset classes based on bottom-up and top-down assessments, with the long-term objective of protecting and growing clients' assets.

Sectors

Traditional and alternative asset classes, benchmark aware

ESG Strategy Team supports the Global Balanced Solutions in identifying companies that adhere to the binding minimum ESG standards. For example, certain arms manufacturers are excluded based on the exclusion lists of the Swiss Association for Responsible Investment (SVVK-ASIR) and Vontobel, thus, safeguarding the portfolios from adverse controversies. The ESG analysis is performed by experienced ESG specialists, whose expertise is recognized by external agencies. The best-in-class approach remains a key pillar of their multi-asset offering, with more stringent requirements for companies in critical sectors and customized solutions applying individual values-based exclusion criteria.

Vescore Boutique

CHF 21.7 B AuMs

Focus

Purely systematic or hybrid (= systematic combined with active) investing based on proprietary quantitative models rooted in innovative financial market research implemented with highest precision and risk management in the center, aiming for attractive long-term returns.

Sectors

Traditional (equities, bonds) and alternative (commodities, volatility, currencies) risk premia

Vescore has developed a proprietary ESG process. It excludes companies based on normative as well as negative criteria and includes the active exercise of voting rights. ESG integration, the heart of the process, is where our proprietary Vescore ESG rating comes into play. It enables us to determine the financial relevance of ESG factors with the aim of making forward-looking investment decisions. To ensure that our clients can invest in alignment with their values and beliefs, we offer flexible and tailored investment solutions.



“Our multi-boutique approach gives us an edge—it brings together debate and analysis from different perspectives. Diversity of thought and approach sparks innovation and paves the road to success. This is one reason why, when it comes to ESG, we actively engage in debate. Not only are innovative solutions needed urgently, new ways of thinking open up ESG-related investment opportunities.”

—
Christel Rendu de Lint, PhD
 Head of Investments

How we leverage ESG data for investment insights

Different sources of information ...

We have recourse to a broad range of data sources. We do not rely on a single source of information, and we strive to build a holistic picture on trends and companies. On top of data directly made available by issuers and publicly available data, we use data from various other sources, including leading ESG data providers, like MSCI ESG or Sustainalytics. Where we identify a need, we may use local or a specialist ESG data provider to enhance our insights.

In some cases, the information we gather from these conventional data sources is not sufficient. Thus, fact-finding engagements may be conducted, directly by our investment specialists and ESG analysts. This involves actively requesting information on ESG aspects, either where such information is not available at all, or where insufficient information has been provided in response to our questions. This allows us to make better informed decisions.

Case study

Investigative journalism by our Quality Growth Strategies team

Our Quality Growth Research team includes analysts who previously worked as investigative journalists. Their role is to help the investment team build a deeper knowledge of the risks and opportunities facing company management and investors. They enable our investment team to go deeper and source information beyond traditional data sources.

Our main sources of information

- Data directly made available by the issuers (sustainability report, website, ...)
- Publicly available data (newspapers, industry associations, public research, ...)
- Specialized ESG data providers
- Fact-finding engagements

ESG service providers

We use services of external leading providers in their field. It allows us to access high-quality resources and expertise to make better investment decisions and support our business.

ESG data providers

- MSCI ESG
- Sustainalytics
- Refinitiv
- Inrate
- RepRisk
- SynTao Green Finance
- Trucost
- ISS ESG
- Ceres
- Carbon4Finance

We also have access to ESG data on broader data platforms such as Factset and Bloomberg.

Voting and engagement service providers

- Responsible Engagement Overlay (reo®)
- Sustainalytics
- Institutional Shareholder Services (ISS)
- Ethos

More information about our voting and engagement service providers can be found in the dedicated section starting from page 19.

→ Read more about how we monitor service providers on page 72.

... factored into ESG tools and methodologies.

Informed by third-party ESG data, our dedicated ESG analysts, who are embedded in our investment teams, develop tools tailored to investment strategies, asset classes, and geographies. The processed information then inform acquisition, monitoring and exit decisions. Through this setup, we ensure that our investment decisions are taken with appropriate expertise.

→ Below, you can find two examples of ESG tools and methodologies that we use within our boutiques.

Case study

ESG in Observatory, TwentyFour's database

Our ESG Observatory

Designed in-house at TwentyFour, Observatory is TwentyFour's own search engine for the global universe of fixed income. TwentyFour's ESG methodology is specifically tailored to the demands of fixed income, with an additional focus given to more nuanced factors such as Momentum (transition), Controversies and Engagement. TwentyFour's Observatory ESG score combines inputs from our ESG data partner, Asset4, as its raw score, however TwentyFour's portfolio managers conduct their own ESG analysis on every bond issuer they consider adding to a portfolio, and are able to override any aspect of the Asset 4 score if their research convinces them this is necessary.

Controversies can be a killer

In the model used by TwentyFour, controversies can hurt an issuer's score very badly, since we believe they can reveal much about a company's risk management and general ethos. One negative event may be unavoidable, so the underlying source of the issue is important, but a number of issues may indicate a systemic risk.

Active dimension—Engagement and Momentum

- At TwentyFour we believe that for a fixed income strategy to be truly sustainable it must be actively managed. Given the lack of data consistency and coverage in fixed income (we found from our research that nearly 50 percent¹ of the investment grade credit universe isn't ESG scored by any commercial data provider), in our view, engagement with bond issuers to fill in the gaps is paramount.
- Momentum is integrated the TwentyFour ESG score; and is an assessment of a company's plan and demonstrable execution towards improving its ESG credentials. A strong Momentum score can increase an issuer's overall TwentyFour ESG Score.

→ Concrete examples and more information about the model can be found in our Viewpoint under am.vontobel.com/en/insights/how-esg-scoring-really-works

Case study

Systematic impact assessment by Listed Impact Equities team as one ESG approach example

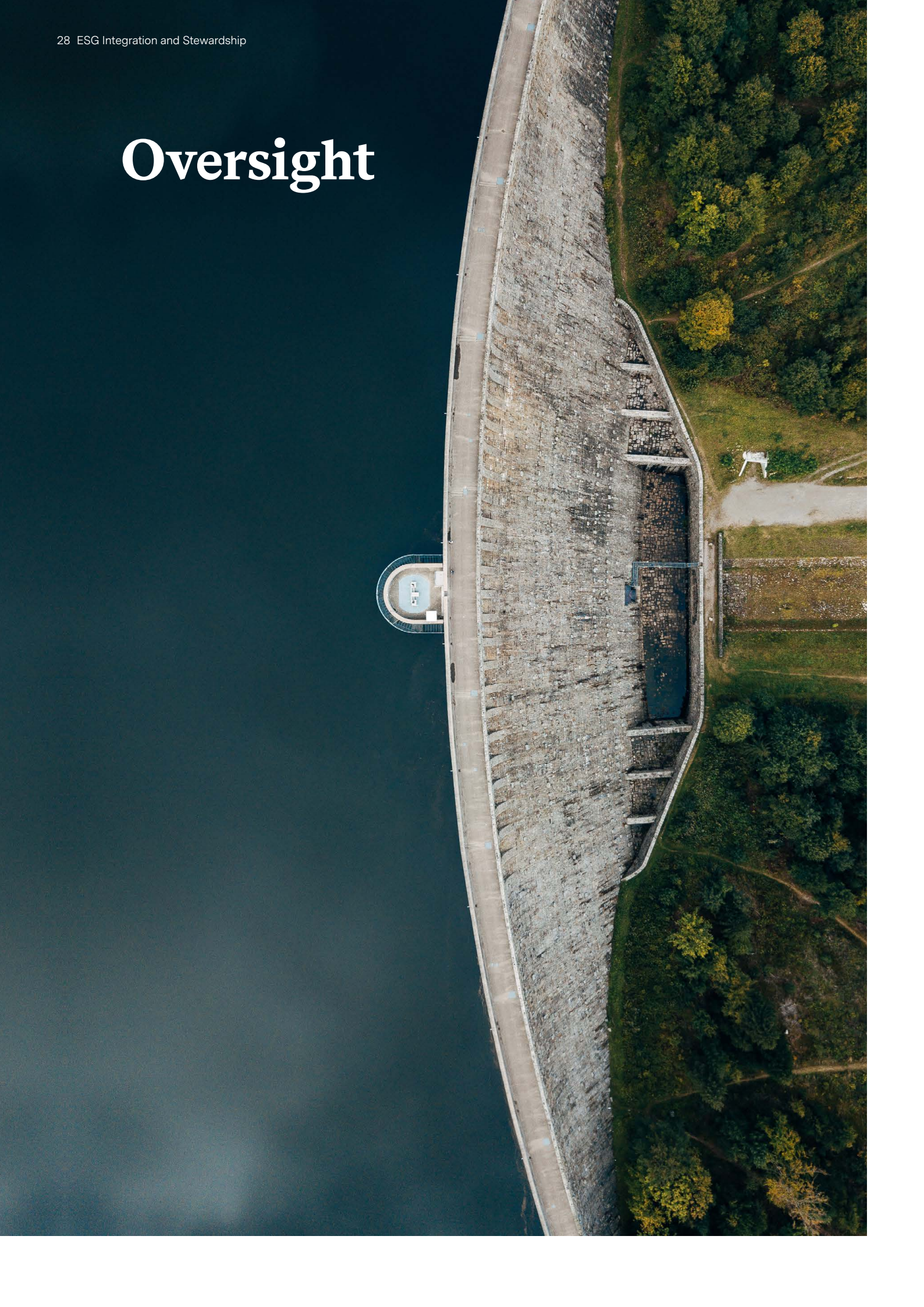
The strategies invest in economic activities that capture the opportunities arising from long-term structural shifts such as growing population, increasing urbanization, or sustainable food and agriculture. Impact Pillars are defined and mapped to specific UN Sustainable Development Goals. The targeted companies provide products and services along the whole value chain, which have the potential to tackle today's pressing problems such as resource scarcity, environmental pollution and social issues. For the identification of companies, the team applies a systematic impact strategy assessment, which consists in analysing whether portfolio companies' activities are aligned to the Impact Pillars, whether they support at least one of the SDGs and how they contribute to the pre-defined key performance indicators measured. Six criteria have been defined, and for each of them scores between +3 and -3 are assigned.

1. Management strategy: major commitment to expand impactful activities, possibly combined with reduction of critical ones
2. Internal drivers for impactful products & services capex allocation, R&D budget or acquisitions may serve as indicators
3. External drivers for impactful products & services growth potential of end-market and possibly achievable profitability drives the score
4. Measuring and reporting key performance indicators (KPIs) on impact achievements, what gets measured gets managed, often a driver for improvements in management and culture
5. Potential risks related to impactful activities such as policy or regulatory changes, customer preferences, technology risks or hurdles, and competitors
6. Potential risks related to non-impactful activities, regulatory requirements or emission limits may lead to increasing costs, stranded assets or legacy liabilities

These six scores aggregate to an overall impact strategy score for each company, helping us to better understand the benefits as well as the potential risks, also relative to peers or similar industries. The assessment can also be used as a guide for engagement on impact themes and an indication of potential non-financial risks to the strategy.

¹ Based on an analysis conducted in June 2022.

Oversight



Risk management framework

Risk management at Vontobel Asset Management is carried out by independent risk management units of 18 staff in Zurich, Luxembourg, London working closely with the Investment Control unit of 12 staff in Zurich.

Risks differentiate between investment risks, which also include market risks, and non-investment risks, whereby risks may be interconnected.

Investment risks	Non-Investment risk
Market risk	Operational risk
Liquidity risk	Business risk
Counterparty risk	Legal risk
Performance risk	Compliance risk

- Covered by teams in the Investments Risk Management organization and by the Investment Control team.
- Legal and compliance risks are monitored and controlled by the relevant teams, independently from Risk Management.

What are sustainability/ESG risks?

For investment solutions, sustainability risks are those defined as an environmental, social or governance event or condition that if it occurs could cause an actual or a potential material negative impact on the value of the investment.¹

For Vontobel as a firm, a broader definition that goes beyond investment solutions related aspects is considered: ESG risks are the risks of any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors.

The term “sustainability/ESG risk” is used to cover the scope of both definitions.

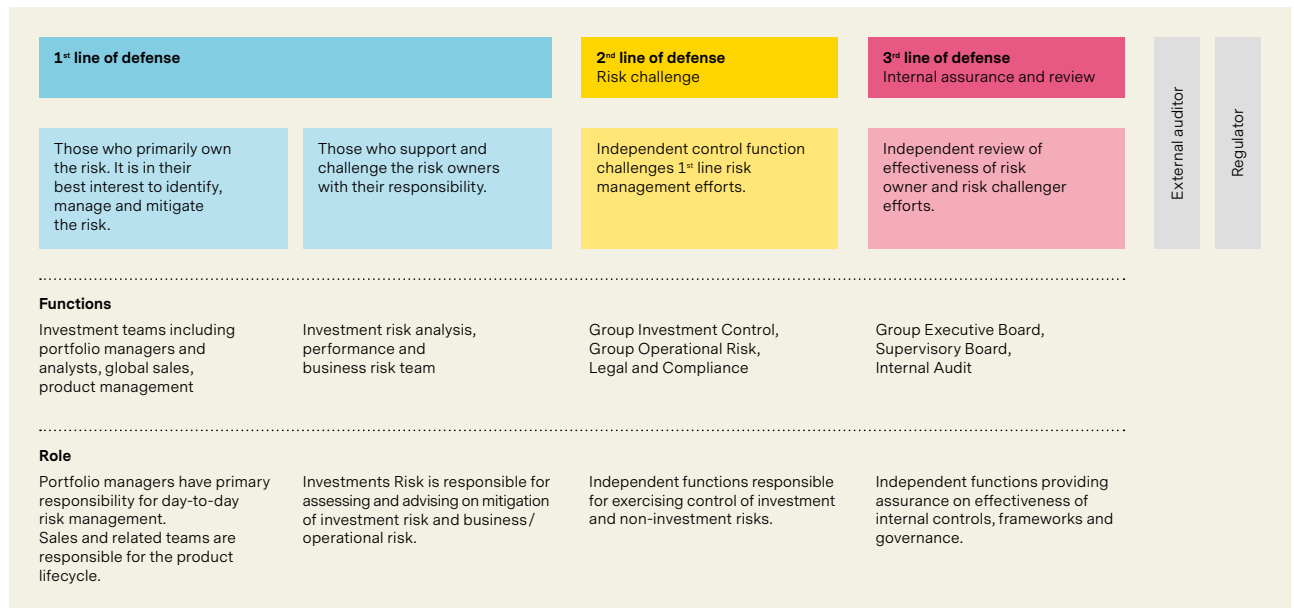
ESG risks can be understood as the negative materialization of ESG factors. ESG factors can lead to negative financial and non-financial consequences via risk drivers (for example an acute extreme weather event), which impact financial institutions via transmission channels (for example the loss of an asset through flood).

Vontobel aims to incorporate sustainability/ESG aspects as drivers of already established risk categories into its existing risk management framework, with a view to managing and monitoring these over a sufficiently long-term horizon.

¹ This definition is taken from SFDR Article 2 (22), which we recognize globally.

Our three lines of defense concept applied to ESG

Risk management is based on the principles of clear delineation of responsibility and of functional independence. Accordingly, we apply three lines of defense.



We also apply this principle when looking at risks related to sustainability aspects. In this case, we refer to “Sustainability/ESG risks”. In the next pages, you will find more information about this.

First and second line of defense applied to ESG related investment risks

In the *first line of defense*, our investment teams, including portfolio managers, financial analysts, and dedicated ESG analysts are responsible for developing and duly applying the investment process, where the financial product considers ESG criteria. Portfolio managers have primary responsibility for day-to-day risk management. Identification and management of sustainability risks by the first line of defense are an integral part of the investment process. We identify and monitor controversies, informed by our data providers and our own research. During research meetings, our ESG specialists and investment teams take time to discuss current sustainability risks and assess their impact on the portfolio. Such insights inform investment decisions. Also, when it comes to sustainability risks, we believe the tools used by the investment teams should be tailored to the investment strategies, asset classes, and geographies. For example, for some of our products, we also apply exclusion mechanisms and minimum ESG scores at issuer level. These binding elements are made transparent in the respective pre-contra disclosures. In addition, as explained, starting from page 36, our investment teams exercise voting rights, whenever authorized to do so and engage with companies in order to improve their business practices in the belief that this will help generate better long-term risk-adjusted results.¹

→ The case study on the right side of this page shows an example how one of our investment teams manages Sustainability/ ESG risks.

The fact that our ESG analysts are embedded in our investment boutiques and work closely together with financial analysts and portfolio managers promotes continuous exchange and know-how transfer. Investment teams can also receive additional trainings and have access to a large set of resources from research and data providers.

Our risk management team is another first line of defense function that focus on analyzing and managing risks. The Investments Risk team is responsible for assessing and advising on mitigation of investment risks. This risk management unit plays, for instance, an instrumental role in looking at the management of sustainability risks considerations during the regular portfolio reviews, especially for products that integrate ESG criteria in their investment process.

Case study:

Management of sustainability risks at mtX, a multidimensional approach

Identification and assessment of key sustainability risks

The mtX team identifies the ESG issues that are most relevant by sector and compiles them into sector papers. This research serves as the basis for the proprietary industry-specific “Minimum Standard Frameworks” (MSF), a framework to guide systematic qualitative and quantitative analyses of a potential investee’s key indicators, including sustainability risks. The assessment guides a deep evaluation of companies’ preparedness and performance on the 20–25 most important, sector-specific ESG indicators.

Turn ESG noise into actionable insights

Each company in the portfolio is monitored by our ESG analysts. To do so, we do not rely solely on information provided directly by companies or sourced by a third-party ESG data provider. We also benefit from specialist artificial intelligence and machine learning tools that capture and evaluate close to real-time ESG news: turning ESG noise into actionable insights.

Deep look into controversies

mtX applies an additional over-riding “Fail-Score” whereby a company fails the assessment on any sustainability indicator even if this company would otherwise attain a pass MSF score. These are typically given for high level controversies that pose a material risk to the ongoing outlook of the business or which pose a highly negative impact on society or the environment even where the business case is unaffected. To evaluate the application of an F score, a framework was designed to provide a clear decision tree to assess the severity of incidents. The finding leads to divestment or engagement.

Active ownership as a risk management tool

mtX’s analysts and portfolio managers directly engage with the management of companies on relevant topics as part of their research activities. These engagements address material ESG issues that might impact the company’s performance. Additionally, for areas flagged as key risks, we seek to understand the company’s plans to manage and mitigate them. Through these consultations, we encourage companies to improve their risk management practices and ESG disclosure. We reference specific areas of improvement where these are needed.

¹ More information about our voting and engagement activities can be found starting from page 36.

The role of our *second line of defense* is to independently manage oversight over the first line risk management efforts. Key functions are Investment Control, Group Operational Risk, Legal and Compliance. A dedicated team in Compliance performs pre-trade checks while our Investment Control function has post-trade checks in place.

Pre-trade checks

Our portfolio management system allows us to check compliance with investment guidelines restrictions on a pre-trade basis. The investment guidelines comprise regulatory, client-driven restrictions and internal restrictions, including those that are ESG-related. The parameterization of the investment guidelines is carried out by the independent Investment Control unit. Portfolio managers can simulate trades and check each trade against restrictions, prior to placing orders, in order to prevent the occurrence of breaches. When submitting orders, an automated check of the investment guidelines restrictions is performed, generating an alert to the portfolio managers, highlighting potential breaches that would materialize in case the orders would be executed. Trades generating alerts are reviewed by Compliance, who would ultimately lift the alerts whenever this is assessed that the trades would not generate any breaches.

Post-trade checks

The independent Investment Control team conducts a daily post-trade review of portfolios using our portfolio management system. Should Investment Control and the respective portfolio manager fail to agree whether a breach has actually occurred (e.g., in case of a different interpretation of regulatory investment restrictions), Compliance analyses the case and then informs Investment Control of its assessment, which then follows up accordingly.

What happens when a breach occurs?

The independent Investment Control Team, which reports to the CFO/CRO, controls adherence to the guidelines' restrictions on a daily trade basis. In the event of a breach being detected by Investment Control, the portfolio managers are consulted for clarification, and corrective measures are taken where appropriate, considering the investors' interest. If necessary, issues may be escalated to the Boutique Head, the Head of Investments Risk Management and Compliance.

Monthly breaches reports are produced and circulated to the appropriate stakeholders.

First and second line of defense applied to ESG related non-investment risks

While the focus of this report is on investment-related activities, ESG risks can also arise, for example, from offering investment solutions. Besides investment teams, other first line of defense functions are responsible for managing ESG risks linked to the product lifecycle and our relationship with clients, such as our sales and product-related functions. As a risk mitigating measure, those functions receive regular trainings and informative sessions, ensuring that they are appropriately informing our clients about the ESG profile of their financial products. In 2022, we provided a tailored mandatory training for our sales functions specifically addressing the risk of greenwashing.

We have also documented ESG-related processes for areas of the business that could be exposed to ESG risks (especially those related to greenwashing and ESG regulations), such as the preparation of marketing materials and investment communications, pre-contractual disclosures, client reports and regulatory reports. Such process documentation provides a basis for risk management measures such as reviews and controls conducted by first and/or second line of defense functions. The risk owners will annually confirm that the process and, where relevant the control documentation is up to-date, and the ESG risks appropriately mitigated.

Third line of defense

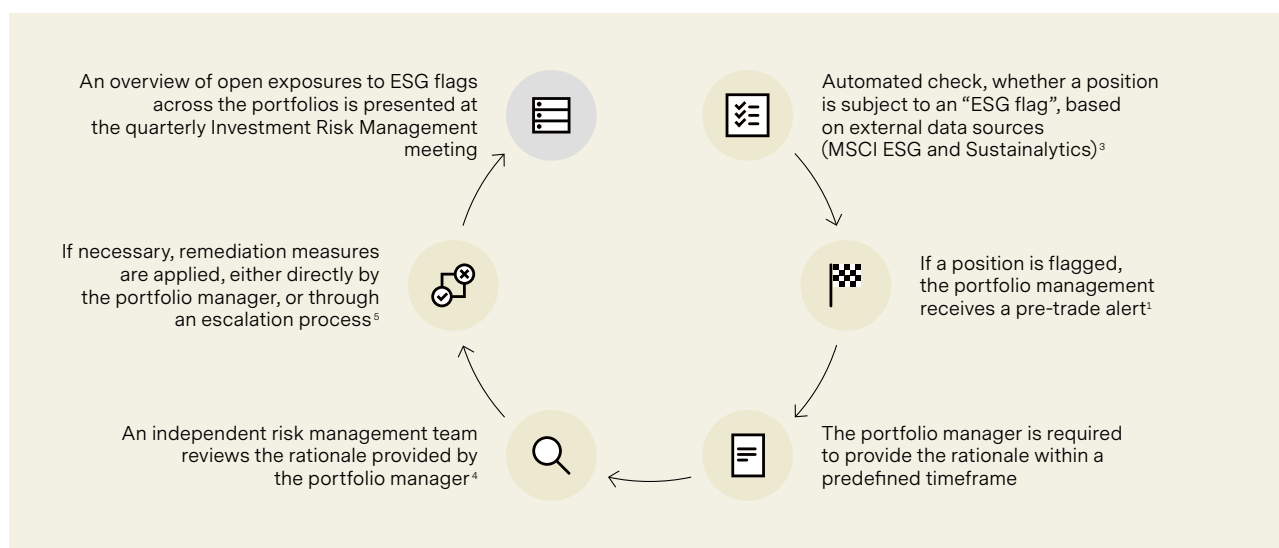
Last but not least, our third line of defense consists of Internal Audit which reports to the Board of Directors. Its audit activities are based on the guidelines issued by the Institute of Internal Auditors (IIA), which were declared binding by the Swiss Financial Market Supervisory Authority (FINMA).

Monitoring of severe ESG controversies

Severe ESG controversies and breaches of international norms are the primary cause for public attention and stock devaluation. Those controversies are often related to significant negative impacts on the environment, forced labor, and child labor. Moreover, these instances can signal insufficient management of sustainability risks by a company or a government. To properly understand its impact on stakeholders and performance, each incident needs thorough assessment. Investment teams conduct their own research to assess the impact of the severe controversies on the relevant portfolio and on

wider stakeholders. In 2021, we formalized our post-trade checks by implementing various “ESG flags” for controversies and breaches of international norms. Accordingly, the process described below was implemented in 2021.¹ In 2022, the process was refined, to ensure alignment with the different ESG product categories.²

→ More information about this process can be found in our Sustainable Investing and Advisory policy under vontobel.com/principles-and-policies.



¹ With the exception of the pre-trade alerts, that occur in the second step in the illustration, were activated in 2022

² More information about our ESG product categories can be found on page 18.

³ The ESG assessment methodology of such providers typically takes into account international norms, such as:

- UN Guiding Principles on Business and Human Rights,
- the OECD Guidelines for Multinational Enterprises,
- the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work,
- the ILO Core Conventions,
- and the UN Global Compact.

An ESG flag is only triggered when there is a severe violation of these international norms.

⁴ The rationale provided by the portfolio manager, generally supported by the respective ESG analyst, is evaluated by the Investment Risk team, based on pre-defined criteria. In case of disagreement between the Investment Risk team and the investment team, cross-boutique discussions can be triggered, and in case of persistent disagreement the case is escalated to the Investment Performance Forum. Once the evaluation is final, the issuer that has been flagged is classified in one of three categories: Strong / Mitigated” or “Medium / Potential Improvement” or “Unacceptable / Controversial”. “Promote ESG” and “Sustainable” products cannot invest in issuers that are classified as “Unacceptable / Controversial” (more information about our ESG product categories can be found on page 18).

⁵ Remediation measures can be for example: selling of the position, active ownership measures, put issuer on a watchlist.

Risk management governance

The governance of the risk management framework is ensured through two Group-level bodies, the Investment Performance Forum (chaired by the Head of Investments) and the Operational Risk Committee (chaired by the Vontobel Group Chief Financial Officer), supported by four bodies based within the business unit Investments: the Investments Risk Meeting, the Portfolio Risk Review, the Broker Committee, and the Investment Control breach review meeting.

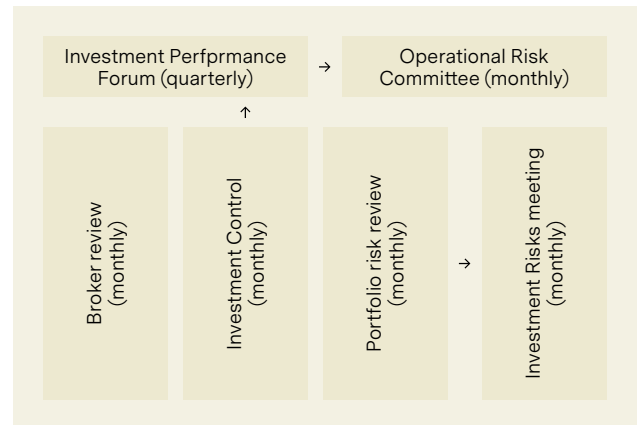
The Investment Performance Forum and the Investments Risk Meeting meets on a quarterly basis and the other committees meet monthly. Matters requiring escalation may be raised from any business unit committee to the appropriate Group-level committee (more details about these committees can be found on page 52).

This framework ensures good risk management governance while retaining the necessary flexibility to respond to unanticipated events and emergencies, such as the market and economic crisis that was triggered by the Covid-19 pandemic in early 2020 or more recently, the war in Ukraine.

→ More information about how Vontobel Asset Management navigates such crises from a risk-management perspective can be found on the next page.

An escalation process has been defined for our risk management oversight as described below. More details about our committees and their attendees can be found on page 68.

Committees and escalation process



→ Findings, escalation

→ More information about these committees can be found on page 68.

Navigating through crisis

In case of unanticipated events and emergencies, such as the market and economic crisis triggered by the Covid-19 pandemic and the war in Ukraine during the past years, we rely on our risk management framework and its governance.

In such situations, our investment teams reassess their portfolios and seek to identify investments that may be particularly vulnerable to the crisis, as well as those that may be resilient to it. Several factors are considered, such as the potential impact on economic growth, geopolitical risks, and changes in market sentiment. The situation and its impact on markets and industries are closely monitored, in coordination with functions such as Compliance, Legal and Investment Risk Management where relevant. As such, the potential regulatory constraints (e.g., sanctions at countries and/or issuers level) are duly considered for the review and potential adjustment of the portfolio holdings and exposures.

Vontobel typically uses three structures to navigate such crises and manage its response:

- A Group-wide taskforce, meeting daily to assess the overall impact of any crisis on our business.
- A Client Unit Asset Management Working Group, meeting as needed to assess the impact on Asset Management clients, share information and communication.
- A Valuation Committee, meeting as needed, to ensure appropriate governance over topics related to liquidity and accurate valuation of assets. The committee includes operations, compliance, risk and legal functions, as well as representatives of our fund management platform, and operates independently of portfolio managers.

Our client-centric approach during any crisis

We adjust our communication to meet client needs throughout any crisis. Our first step is to recognize that there is a crisis, be it sectoral or regional, and set up the structures outlined above to manage our activities, with a sub-group of the Asset Management Working Group focused on communications. The team delivers communication on market events and enables clients to hear from our relationship managers and portfolio managers each day as the crisis unfolds. We use our digital resources to quickly share updates with our clients through various channels. As the crisis progresses, we evaluate how interested our clients are in these communications in different geographies using both qualitative and quantitative feedback. This helps us tailor our plans to provide clients with the information they need.

Remaining stewards of our clients in crisis situations: an example based on Quality Growth engagement activities

Rationale and context

Decades of peace in Europe had led to a dependence on a partner with differing long-term goals. Russia and Ukraine are giants in certain commodity export markets and the repercussions are being felt globally. While Quality Growth held no direct exposure to Russia or Ukraine at the onset of the conflict some of our multi-national holdings have divisions in these countries.

Engagement objective

We engaged to understand their operational exposure in greater depth and get a better read on the choices they face.

Engagement process

To select which managements to engage with, we overlaid the Russian revenue exposure of our holdings by the ratings given to companies by the “Yale Russia List” established by the Yale School of Management. We engaged with 8 holdings from across the Quality Growth platform. We looked for clarification on areas including revenue from Russian operations, business activities, remuneration of local employees, essential products/services sold, and plans for change.

Outcomes

There was consistency between the responses. Managements were all trying to understand what options were open to them—and that they were not able to discuss plans being considered given the uncertainty. Managements sit between the external pressures to exit and the knowledge of how much effort has gone into building these businesses, as well as the loyalty felt both ways with their Russia-based teams.

In terms of change, the most significant was made by one of the companies, a global brewer: the company sold its minority holding in its Russian joint venture with a Turkish beverage company. As a result the company booked a USD 1.1 billion impairment charge.

Next steps

We keep monitoring any exposure we have as the war continues.

Voting and engagement



Overview

As a signatory to the UN Principles for Responsible Investment, Vontobel Group commits to being an active owner and to incorporate environmental, social, and corporate governance (ESG) issues into its ownership policies and practices. We believe active ownership adds value between long-term partners. At the same time, we are convinced that voting and engagement can have a positive influence on companies, economies, societies, and the environment.

Since 2019, Vontobel Asset Management has had voting and engagement policies in place, corresponding statements can be found under am.vontobel.com/esg-investing.

Voting

Voting overview

Vontobel Asset Management recognizes that portfolio management of the assets of clients, which include stocks, may include an obligation to vote in relation to the stock. At the same time, voting represents one of the ways we can use to express our views.

If authorized to do so, Vontobel Asset Management will vote in respect of the stock, typically by proxy, in a manner which it reasonably believes to be in the best interest of the client and in line with any specific legal or regulatory requirements in different jurisdictions or markets that may apply.

The scope of our voting policy covers all actively managed funds and discretionary mandates managed by Vontobel Asset Management unless we have not been authorized to vote on behalf of clients in relation to the assets managed.¹ Funds and mandates managed based on quantitative investment strategies are not covered by our voting policy. However, they may have a voting setup, in a comparable manner. This voting policy follows, among others, the recommendation for best practice on corporate governance published by the European Fund and Asset Management Association.

Use of proxy voting advisors across our investment solutions

Vontobel Asset Management works with specialist research providers who support portfolio managers with their research and voting recommendations. To ensure that all covered votes are treated, the portfolios of our funds are sent on a daily basis to our proxy voting advisors by our custodian. Recommendations are provided by the proxy voting advisor to the investment teams based on guidelines that have been reviewed and approved by Vontobel Asset Management.

In some cases, and on specific topics, we may develop tailored proxy voting guidelines with the relevant proxy voting service providers, which provide specialized research on voting decisions.

In 2022, Vontobel was using three proxy voting service providers: Institutional Shareholder Services, Inc. (ISS), Ethos Services SA (Ethos) and Responsible Engagement Overlay (reo®), by Columbia Threadneedle. These service providers are used depending on the focus and active ownership approach of the strategies. For instance, Ethos has been selected for its expertise on the Swiss market and is thus used for our funds that have a focus on Swiss equities. ISS allows us to tailor voting policies, a service we use for our Quality Growth strategies.

End of 2021, we reviewed our provider pool for active ownership services and the changes became effective beginning of 2022. More information about the changes can be found on page 38.

Voting process

When selecting a voting service provider, we pay particular attention to the voting principles they follow. With this approach, the vote recommendations we receive reflect the convictions of the respective investment strategies.

Our portfolio managers and analysts can receive alerts of forthcoming shareholder meetings together with the voting recommendations provided by the engaged proxy voting advisors. Portfolio managers and analysts review the voting recommendations and if they agree with them, no action is required and Vontobel votes accordingly. In certain cases, they may have a different opinion, for example, the standard recommendation does not match their in-depth knowledge of the company in question and its management, which may have been gained in the context of engagement activities. The portfolio manager can change the vote on an item on the agenda, with appropriate documentation, thus providing justification for any choices that deviate from those recommended by the engaged proxy-voting service provider. The overruling process is described in our voting policy. This process ensures that we execute our voting obligations and make decisions in the interests of our clients. The respective management company coordinate these aspects and the related processes.

Due diligence of the proxy voting advisors' services is regularly performed on the services used, as described on page 72.

¹ As most of our managed assets are under external custody, we closely collaborate with the external custodians to setup proxy voting. As part of this process, we clarify with the custodian if there is a stock lending process in place and if there is a potential impact on the proxy voting.

Clients' needs related to voting are analysed on a case-by-case basis. For segregated accounts, clients may have their own voting setup and directly exercise voting rights for listed equities. Alternatively, clients might delegate voting to Vontobel Asset Management, so that we exercise voting rights on behalf of the clients. The conditions related to these activities will be contractually agreed with the client. For our mutual funds, we do not accommodate stock lending.

Engagement

Engagement overview

At Vontobel Asset Management, we consider engagement to be an important element of our investment activities. As an active manager, we generally prefer to engage with the managements of investee companies directly. We do not have a standalone engagement team, since we believe in the direct contact between investee company management teams and investment professionals such as portfolio managers and analysts who have the specific expert knowledge and understanding of the context in which the company has been selected as an investment.

Reasons to engage with an investee company can include business strategy, corporate governance issues, change in the capital structure, remuneration issues, and identified environmental and social risks.

Engagement includes ongoing communications between the investment team and the management teams of investee companies and can range from ongoing updates and questioning of the current and future business model, to engagement on specific issues that may cover ESG concerns.

Engagement process

As part of their fundamental research activities, our analysts and portfolio managers engage with the management of companies informally on relevant topics. ESG topics are not covered in all company reports or by all our research providers. Therefore, we carry out informal fact-finding engagements to better understand a company's sustainability performance and standards (e.g., its governance policies or environmental performance). This may include assessing the impact of its products and services on the environment—for example by looking at whether they can help to reduce or eliminate carbon emissions. An example is the questionnaire sent for our Listed Impact strategies. In certain circumstances, investment teams may take a more targeted and focused approach, depending on the circumstances and the nature of the situation, and raise concerns on specific topics with companies. Some examples are included in this report starting from page 47.

Collaborative engagement activities

In addition to direct engagement activities, for certain strategies, we also partner with a service provider. We see many advantages in working with a partner on voting and engagement. By pooling the assets in an engagement partner tool, we reach the scale that is necessary to be present and visible towards management teams and boards in dialogues and engagement activities. This enables us to exert greater influence than our own investment volume would allow. At the same time, it allows us to target a broader range of companies as we have access to more resources. Additionally, it facilitates our collaboration with other investors.

Engagement service providers typically report their progress on engagements by a series of milestones, marking events such as companies acknowledging the issue, committing to making improvements, and implementing the improvements. This progress is tracked based on objectives set beforehand. Insights gained out of these engagements may be factored in our research process.

Until end of 2021, we partnered with EOS at Federated Hermes, a service provider specialized in engaging with investee companies via objectives-driven and continuous dialogue on ESG issues. We were looking to extend the use of our engagement partnerships to additional strategies and asset classes, especially fixed income portfolios, which was unfortunately not possible with EOS. As the services were not meeting our evolving needs anymore, we looked for another service provider. We conducted a due diligence on seven service providers and paid particular attention to the coverage of our portfolios and the quality of services delivered. As part of the criteria for assessing the quality of the services, we looked at the depth of the engagement activities, the processes used (objectives setting, progress tracking) and the reporting offered. The outcome of the due diligence process was the choice of reo® as our new partner; reo® is a service that allows investors to receive market-leading corporate engagement on equity and corporate bond holdings, and proxy voting services with a 20+ years track record. This new partnership became effective at the beginning of 2022.

In 2022, we continued our subscription to Sustainalytics' engagement program on modern slavery, which aims to address the issue of forced labor, human trafficking, forced marriage, and child labor. Companies associated with such practices are vulnerable to potential costs and losses due to emerging regulations, government initiatives, and societal expectations. Sustainalytics' engagement program seeks to mitigate these risks by ensuring high-risk portfolio companies implement effective strategies to address modern slavery-related risks. The program focuses on measures such as fair procurement practices, rigorous due diligence procedures, and improved disclosure of modern slavery cases. As a participant of this thematic engagement, we are invited to participate in regular conference calls with companies and we receive ongoing updates and a bi-annual reporting on KPI progress from Sustainalytics. The program targets approximately 20 companies in the construction and manufacturing industries, two of the industries that are most exposed to modern slavery, and in 2022, it engaged with 16 companies.

Escalation process

Engagement could be escalated through additional meetings with the management and dialogue with the board chairman and non-executive directors.

Where these engagements do not progress in the direction that the investment team believe is in the best interests of shareholders or the shareholding is insufficient for an effective escalation on a standalone basis, other options are considered, including, but not limited to:

- Voting against resolutions at shareholder meetings;
- Collaborating with other institutional investors; and/or
- Selling some or all of the investment in the context of the value proposition of the investment as a whole.

Voting and engagement at our boutiques

Quality Growth

Our research philosophy is based on long-term holdings of quality growth companies. Unlike short-term holders, long-term holders are more likely to see a result from governance risks over time unless these risks are addressed. We engage with company managements through a variety of communication methods including face-to-face meetings, emails, conference calls, and letters to the board and senior management. We generally engage with managements in private. Only on rare occasions would we consider making public statements on issues where we disagree. Also, from time to time, we work with other investors on issues where we believe the approach will be helpful. We choose from a range of issues and levels of engagement. Some engagements relate to company-specific issues. These range from relatively short and simple through to more involved engagements that can take an extended period of time. The other main area of engagement we work with are thematic engagement campaigns. These are focused on issues we see across a number of our holdings. The value that may be gained from these campaigns does not need to be a near-term benefit. For example, if a company has a high carbon intensity or emissions and does not appear to have a plan to reduce those emissions, it may make sense to engage (risks include regulatory, taxation and brand) even if the potential benefit will not necessarily impact the near-term business continuity or performance. However, we will only remain as investors and engage if we believe the company still meets our original investment thesis and maintains the quality of operations that we require from our investment holdings. If not, we may choose to exit the position.

Sustainable Equities

Listed Impact Equities Team

We believe active ownership is an important tool to contribute towards sustainable economies, societies, and the environment. Also, ESG issues can materially impact the future success of a company and therefore its investment returns. Consequently, we put a strong emphasis on direct engagement with our investee companies, particularly on social and environmental issues and arising opportunities thereof. We also participate in collaborative engagement through Columbia Threadneedle rec[®] and exercise our voting rights as an integral part of our investment process.

Our analysts and portfolio managers directly engage with the management of companies on relevant topics as part of their fundamental research activities. For areas flagged as key ESG risks, we engage in a direct dialogue with our holdings. We state our views in a constructive fashion and encourage companies to improve their risk management practices as well as impact and sustainability. Additionally, we carry out informal fact-finding engagements as part of our structured research process—either due to data gaps or to better understand a company’s performance and policies. These engagements address material sustainability issues that are relevant to our sustainable investment objective. Additionally, we follow the company’s improvements of key indicators, especially towards their set goals. If necessary, we make recommendations on specific topics, i.e. improve their risk management practices and ESG disclosure on their products impact over their entire lifecycle.

mtx equities

At mtx, we believe voting and engagement is core to our fiduciary responsibilities to clients and central to sustainable investing to achieve more sustainable outcomes for society and to support long-term risk adjusted returns for investors in mtx's funds. Material ESG issues can impact the future success of a company and therefore its investment potential. As long-term investors we see these as important tools to help steer companies towards internationally accepted norms and practices, which is ultimately for the long-term benefit of the company as well as its wider stakeholders. We understand this is an iterative process of on-going dialogue and we regularly work with outside partners to leverage our voice with other shareholders to elicit positive change.

In 2022, mtx worked on the development of an engagement plan that was implemented in 2023. This engagement plan is meant to guide our interactions with many of our holdings. Direct engagements by mtx analysts typically target high sustainability risks that can impact future cash flows, or severe underperformance relating to sustainability factors (e.g., human rights, corruption, environmental damage, etc.). mtx also targets engagements on material issues where disclosure is weak, thereby undermining mtx's ability to make an informed evaluation of sustainability risk or impact. We track progress against the pre-defined objectives. For areas flagged as key risks, we seek to understand the company's plans to manage and mitigate them. Through these consultations, we encourage companies to improve their risk management practices and ESG disclosure. We reference specific areas of improvement where these are needed. Where an invested company is flagged for serious controversies, we maintain a regular review of the evolving situation, ever vigilant of the potential need to divest if the situation is not remedied.

mtx has long been conducting fact-finding research with its investee, or prospective investee, companies but this 2023 engagement plan marks a development towards longer-term, objective-orientated, ongoing dialogue on the most pertinent ESG issues. We regularly observe that engagement based on long-established dialogue and a relationship of trust, is most effective in helping to drive structural changes. We maintain a log of our engagements, and company milestones and these are summarized in the client quarterly reporting.

For additional support in effectively exercising ownership rights, mtx has partnered with reo[®], an active ownership partner specialized in providing voting recommendations and company ESG engagement. It's engagement approach is bottom-up (focusing on exceptionally poor ESG practices or severe ESG controversies), top-down (thematic) and continuous risk management (controversy focus). Such collaborative engagements allow us to exercise greater influence than the size of our holdings would otherwise permit and benefit from specialist resources and experience. An additional major benefit is that the provider will establish a long-term engagement plan with objectives and milestones, and this persists irrespective of investment inflows and outflows by the provider's clients. In this way it can take a truly long-term perspective and will maintain regular pressure throughout the life of the issue engagement.

Mtx has a dedicated process in place to ensure it reacts to all voting alerts and reviews all voting recommendations from our partner leveraging internal expertise within the team. The medium and long-term aim of voting and active engagement is to achieve improvements in corporate governance and in the areas of sustainable business and social, ethical and environmental responsibility, and thereby to bring about a potential increase in long-term shareholder value for the investor.

Fixed Income Boutique

At the Fixed Income Boutique, we consider engagement to be an important part of our investment activities. More specifically, engagement helps us mitigate data quality issues and problems arising from differences in reporting and corporate governance standards especially in high-yield and emerging markets. We speak with issuers directly to understand the quality and underlying goals of the management.

There are some elements of engagement that are specific to investors in fixed income. In contrast to an equity, a bond is a fixed contract, so once it has been issued, there is not a lot investors can do about the company. As far as ESG factors are concerned, bond issuance is more like a “take it or leave it” offer, i.e., price can be negotiated during book building, but ESG factors will not change. Therefore, once the bond is issued, the maximum we can do is fill the information gaps by asking questions about ESG and encouraging more transparency.

As an active asset manager of a meaningful size, therefore, we can make a difference either before a bond is issued, if the issuer is eager enough to change our opinion about themselves or once it needs to re-assess the indentures, such as in the restructuring. By taking part occasionally in the bondholder committees, Vontobel can contribute to fixing relevant issues, which often tend to be partially driven by ESG misgivings.

TwentyFour Asset Management¹

At TwentyFour Asset Management, we take our stewardship responsibilities seriously and look to always act in the best interests of our clients. We conduct a significant amount of due diligence on issuers with whom we invest, which enables us to avoid companies we believe do not meet our high standards in strategy, performance and/or ESG factors. As fixed income investors we do not have votes at companies’ Annual General Meetings, but this does not prevent us from engaging on behalf of our clients when we feel this is appropriate and we do not engage the services of third parties for any aspect of our engagement. As fixed income investors we do manage “corporate actions” such as consenting or not to repurchase offers, bond exchanges and covenant modifications, among other matters. The general principles of our engagements are not fund or geography-specific. As global fixed income markets are large, diverse and complex, we need to retain a dynamic approach to serving our clients’ needs. In general, we will engage on any topic as and when we feel it is in our clients’ interests and do so in the manner described below. We do not currently see the value in ‘mass mailing’ issuers as we believe targeted approaches are more effective. Having said that, we have had and continue to have some more specific “project” type engagements. For example, the filling out of our portfolios’ CO2 intensity data. Another example is the work that our ABS team is currently involved in to encourage CLO issuers to make their loan pools in line with our sustainable screen. The ABS team is also making representations to sponsors of securitized deals to include various environmental data points as part of their reporting process.

Investment or ESG issues can arise, however, post-investment, and where we are concerned about specific matters such as governance, management or treatment of bondholders, the portfolio managers will engage with the appropriate senior management or board member of the company involved. Within our proprietary ESG model, housed in our “Observatory” portfolio management system, we have a template which enables portfolio managers to log any company engagement by the following steps: Nature of the issue of concern, Desired outcome, Engagement, Response, Action/outcome.

¹ TwentyFour Asset Management is a specialist fixed income firm based in London and New York, and an independent operating subsidiary of Vontobel. TwentyFour Asset Management is a signatory of the UK Stewardship Code 2020. More information about TwentyFour Asset Management’s approach to ESG and Stewardship can be found under twentyfouram.com/responsible-investment.

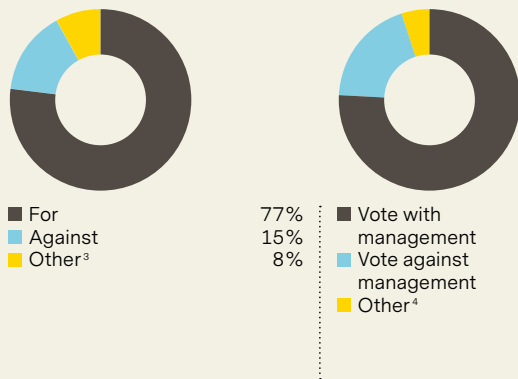
Voting highlights ¹

1,745 meetings

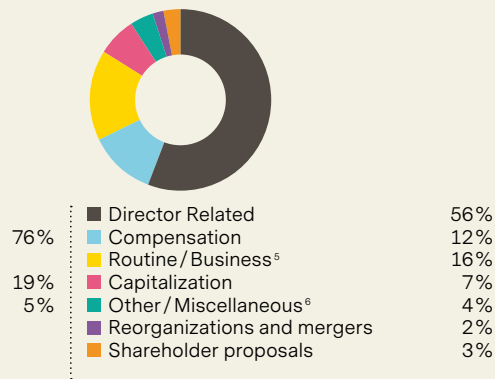
In 2022, we submitted votes at 1,745 meetings, for companies based in different regions, whereby the largest part was based in North America and in Europe. 77 percent of voting items were voted “For”, and the remaining items were voted either “Against”, “Abstain”, “Withhold”, “One Year” or “Split”. 76 percent of voting items were cast with management. The remaining were either cast against management, voted split, or no recommendations from the management nor votes were expressed.

More information about our voting records can be found under am.vontobel.com/esg-investing.

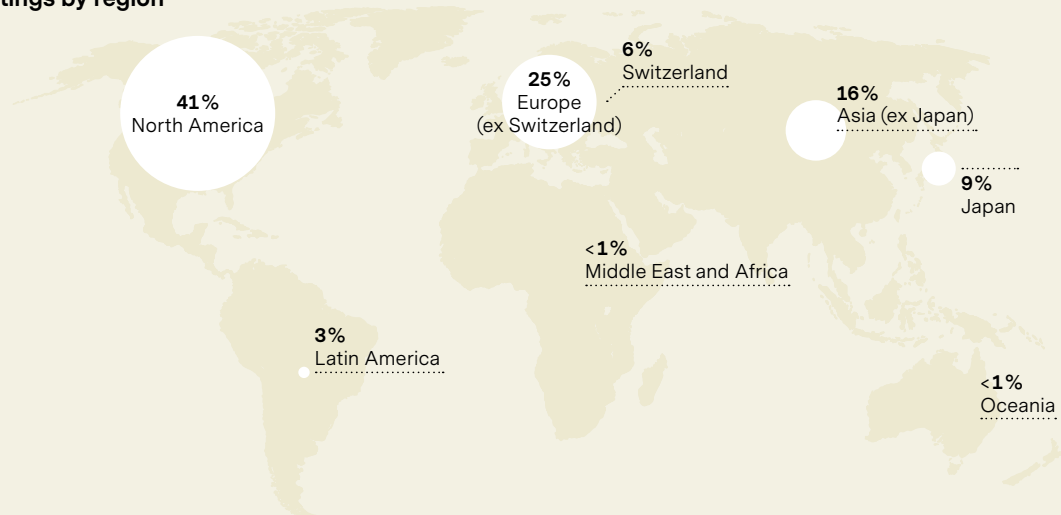
Vote Cast²



Vote by topic²



Meetings by region



¹ Scope of the voting statistics: Vontobel funds where Vontobel Asset Management is the management company, investment manager and sponsor. White Label funds are excluded from the statistics. More information about the funds can be found under am.vontobel.com/vontobel-funds. Source: Vontobel, Ethos, ISS, EOS at Federated Hermes and reo®. The information presented here shows information across all ballot statuses for a given meeting/voting item, meaning all votes that were submitted on the respective proxy voting platform.

² Expressed as per voting item

³ Includes “Abstain”, “One Year”, “Split”, “Withhold”

⁴ Includes “Split” votes, and votes where the management did not express a recommendation.

⁵ Includes audit related items

⁶ Includes E&S management proposals (<0.5%), company articles related voting items (approx. 2.5%) and miscellaneous voting items

Highlight of some of our voting decisions

Japan-based supermarket business—Director Vote (Against, Passed)

by Quality Growth

We voted against a Director/Audit Committee election in January 2022. The proposed candidate was a Certified Public Accountant who is employed by the company's auditing firm. While the Director was elected, we will continue to vote against independent directors who may potentially have conflicts of interest in the role.

US-headquartered financial derivatives exchange operator—Executive Pay Vote (Against, Failed)

by Quality Growth

We voted against the ratification of executive compensation for the CEO, who had received a USD 5 million discretionary bonus in connection with extending the term of his employment agreement for one year. The proxy did not disclose any clawback or repayment provisions if he were to resign or retire. Furthermore, the annual pay program's goal setting was concerning. The financial metric target used in the annual bonus was set below the prior year's actual performance for the third consecutive year, without a compelling rationale disclosed or a corresponding reduction in pay opportunity. Goal setting concerns also exist in the LTI program, as performance equity merely targets median performance. This ballot measure did not pass; we will continue to express to company management teams that variable compensation needs to be in line with well-articulated KPIs.

UK-based stock exchange—Climate Change Plan Vote (For, Passed)

by Quality Growth

We support the company's ambition to be carbon neutral across operations by 2040. The company already meets expectations in terms of disclosure and governance surrounding climate change. The reduction targets on the medium-term (by 2026 and 2030) are SBTi-approved and the company has clearly described its intended actions to achieve these targets. We continue to encourage our portfolio companies to establish realistic but challenging goals on climate change.

Vote against the management—Failure to link pay and appropriate sustainability performance

by Listed Impact Equities (Sustainable Equities Boutique)

Our investment strategy focuses on listed equities that create a positive impact for the environment and the society through their products and services. This year, we can report on our experience with our impact strategy assessment of each investee holding. We believe that the impact strategy scores on a portfolio level are very solid and support our investment approach. It helps to get a stronger conviction on each company's potential for impactful growth while raising awareness of associated risks.

One of the assessment criteria is linked to the management strategy. We analyze the major commitment to expand impactful activities—possibly combined with reduction of critical ones. One key aspect in this context is executive compensation and how it is linked to achieving certain impact and sustainability objectives. In 2022, there were 26 company AGMs where we voted against the management on agenda items that showed an apparent failure to link pay and appropriate sustainability performance. A letter was written by our stewardship partner, who represented us together with a group of shareholders, to NXP Semiconductory to highlight the rationale behind our "against" votes for five agenda items. Through this letter, we also highlighted their ongoing expectation of good corporate governance practice and set out our focus areas, which include: ethnic diversity and inclusion across the workforce and on boards; board gender diversity and diversity in the executive pipeline; climate change management practices and board oversight and impact on biodiversity; social and labor rights issues, including safe and fair treatment of the workforce and the board's approach to executive pay in this context.

Chinese Retailer—Board composition, independence and overall board quality

by mtX (Sustainable Equities Boutique)

As part of our efforts to improve governance practices we pay detailed attention to board's composition and quality. We look at indicators such as independence, diversity, age, long tenure or over-boarded directors, relevant expertise and skills or other conflicts of interest with minority shareholders.

In 2022, out of 164 meetings voted by mtX, 58 meetings (35 percent) included director-related agenda items, of which, in 70 percent, we voted against management due to at least one of the topics listed above.

For example, in addition to our engagement efforts with a Chinese retailer (through collaborative engagement) on board composition, independence and overall board quality, we have been using our voting rights at Annual General Meetings (AGMs) to reinforce our message on better governance practices, especially with regards to board composition.

The company's board composition proposal in 2022 with two new independent directors at the AGM, signalled its commitment to better governance practices. Although, we noted the proposed two directors were over-boarded (with positions on three or more other boards) raising concerns on board effectiveness, we concluded that they both brought relevant expertise from financial, accounting, and industry know-how.

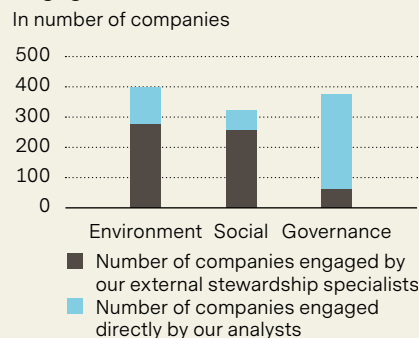
Later in the year, we also engaged with the company bringing our considerations of good board composition and challenging them on their action plan to increase board independence and quality further.

Engagement highlights

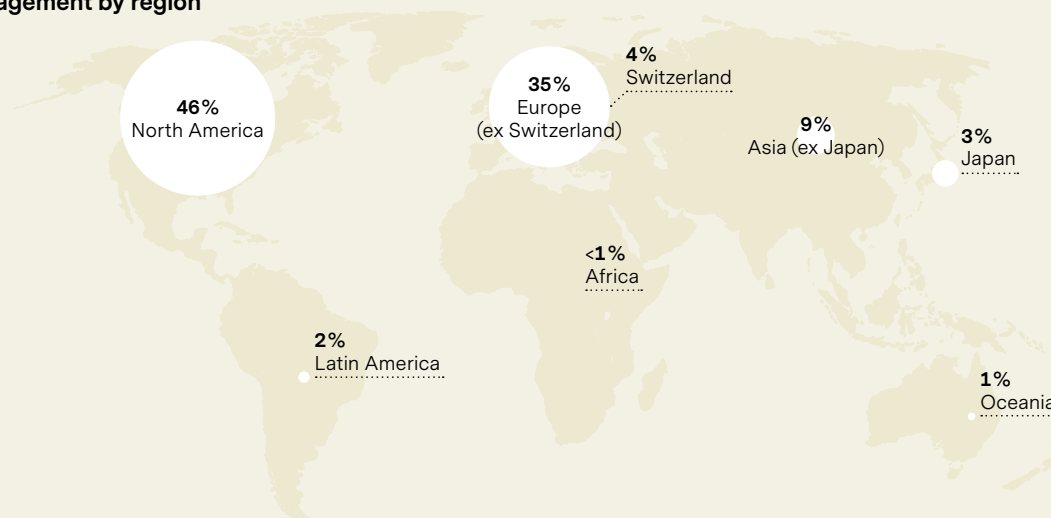
571 companies^{1,3}

In total, we engaged with 571 companies, either directly (208 companies) or collaboratively using the services of external stewardship experts (386 companies).² As part of the latter, our assets are pooled allowing us to reach the scale that is necessary for effective engagement activities. More information about these collaborative engagement activities can be found on page 38. Overall, the number of companies covered by our engagement activities has significantly increased compared to last year as we have been expanding the number of investment portfolios covered by the services of our external stewardship experts.

Engagement by theme^{2,3}



Engagement by region



Our engagements tackled environmental, social and governance related topics. More statistics can be found on the right side. For 45 companies, we conducted at least fact-finding engagement activities, for example through questionnaires. More information about this approach can be found on page 26, and a concrete example on page 51.

	PAGE		PAGE
Improving diversity and inclusion	47	Addressing human rights risks	56
Understand progress in protection of environmental and rights of local communities	48	Biodiversity engagement campaign update	58
Carbon finance	50	Unionization and content moderation	59
Raising the bar on ESG disclosures—multi-year engagement	51	Transparency and net zero targets	60
Users’ digital rights and freedom of expression (FOE)	54	Governance concerns related to an acquisition	62
		Remediation after an environmental disaster	63

¹ As mentioned above, the number of companies has significantly increased compared to last year as we have been expanding the number of investment portfolios covered by the services of our external stewardship experts. We would also like to highlight that these statistics are only comparable to a limited extent to last year’s figures as we have been integrating the engagement activities of our TwentyFour Asset Management boutique in this report for the first time. More information about TwentyFour’s Asset Management’s activities in 2021 and 2022 can be found under twentyfouram.com/uk-stewardship-code.

² Expressed as per number of companies. The aggregate of these figures does not equal the total number of companies covered by our engagement statistics for two reasons: 1. some companies have been subject to engagement activities relating to more than one topic. 2. Some companies are both part of our engagement activities and that of our external engagement experts.

³ These statistics include engagement activities conducted by our stewardship partner, reo®. The figures presented include only companies in which our financial products were invested. This external stewardship specialist engages beyond our investee companies.

Improving diversity and inclusion

Engager

Sustainable Equities Boutique:
Listed Impact Equities team

Issuers

20 companies identified as “laggards” in the Impact Equities focus universe

Engagement type

1:1 Vontobel AM got in touch with the companies directly

Topic

Social:

- Human capital management (e.g., inclusion and diversity, employee terms, safety)

Governance:

- Board effectiveness—Diversity

Rationale and context

We believe that diversity and inclusion (D&I) is key for a thriving business as well as a sustainable and balanced society. Yet, a large percentage of listed companies exhibit poor D&I indicators. C-Suites often fail to reflect the available female talent pool.

For investors, there are significant risks when D&I is ignored, both in terms of missed upside potential, and downside from the inefficient allocation of scarce resources. Several studies highlight the costs and missed opportunities of an economic system exhibiting weak gender D&I.

As impact investors, we pay attention to material ESG issues and we encourage companies to focus on products or services that can help achieve the UN Sustainable Development Goals (SDGs), including—with regard to D&I—solutions to improve the gender equality and women’s empowerment as part of our equal opportunities impact pillar.

Engagement’s objective

- Awareness: Raise the issue relating to D&I
- Materiality: Emphasize that we believe that D&I is important from an investment point of view
- Change: Help companies to improve by suggesting some action points in a constructive way
- Benchmark: Encourage companies to compare their policies and practices with a suitable peer group so as to address sector/country specificities

Methods of engagement

E-mail, letter, meeting (teleconference)

Leadership level

Investor relations, senior executives

Engagement process

We reviewed our portfolios and identified leaders/laggards in respect to D&I. We decided to target the bottom 1/3 (20 companies with low percentage of female directors in their boards) of the Global Impact Equities fund and wrote them a three pages letter, inviting them to discuss this topic via video conference.

Our letter:

- Summarizes powerful research making the link between D&I and performance, quoting the UN, credit rating agencies as well as Vontobel AM’s proprietary research, to name a few
- Has a constructive tone and lists some practical suggestions to improve D&I, touching on hiring, training, coaching, promotions, parental leave, etc.
- Avoids the “one-size-fits-all” stigma by encouraging companies to benchmark themselves against the right peer group to improve their relative positioning
- Highlights the importance of a dialogue on these issues, as well as on fundamentals and business-related points

We followed up with emails and video calls.

In addition to this general D&I initiative touching 1/3 of the fund, we raised specific D&I issues relating to ethnicity/race with one additional company.

Outcomes

We made lagging companies in our fund aware of the importance of D&I from an investment perspective.

We received replies from 11 companies and organized follow up video calls with eight of them so far (as of 31.12.2022). The majority of them acknowledged the issues we raised, and has set internal targets to improve in D&I terms, including

- operational/governance improvements such as targets for board diversity,
- targets in terms of products/services that address SDG 5, e.g., loans to female entrepreneurs.

Next steps

We will continue monitoring our portfolio and engaging with the laggards. This will imply continuing the work with some of the companies targeted in 2022 as well targeting new companies added over the past few months.

Understand progress in protection of environmental and rights of local communities

Engager

Fixed Income Boutique: Corporate Bonds Team

Issuers

An industrial company in basic materials (Europe)

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Environment:

- Natural resource use/ impact (e.g., water, biodiversity)
- Pollution, waste

Social:

- Human and labour rights (e.g., supply chain rights, community relations)

Rationale and context

Certain severe controversies cases related to potential environmental pollution, water scarcity, violation of human rights of local communities and corruption incidents were identified based on research provided by the third-party ESG providers MSCI and Sustainalytics¹. Based on the Fixed Income Boutique (FIB) ESG Risk Integration framework, our ESG Research team conducted an ESG Deep Dive assessment to understand the actual degree, severity and persistence of the allegations and the mitigation measures taken by the company. For the controversy related to the coal mine in Latin America the outcome of the ESG Deep Dive was negative. The classification as negative was caused by the lack of evidence of credible remediation actions. Therefore, the ESG Research team recommended a direct engagement with the issuer.

Engagement's objective

Understanding progress and background related to the coal mine operations in Latin America:

- Water scarcity related to the diversion of a river
- Health issues related to water and air pollution
- Resettlements of local communities
- Lack of prior consultation
- Cultural heritage not respected

Methods of engagement

Meeting (in person)

Leadership level

Senior executives

Engagement process

In April 2022 we started our engagement related to several controversies related to potential environmental pollution, water scarcity, violation of human rights of local communities and corruption incidents. The Corporate Bonds team reached out to the company's investor relations via e-mail. The investor relation team shared links to publicly available information and pointed out that the upcoming Sustainability Report will provide additional information on improvement measures.

In June 2022 we intensified our engagement. The controversy flag provided by MSCI ESG Research worsened related to the afore-mentioned coal mining operations in Latin America. However, this was due to a methodological change by MSCI and not related to a worsening of the situation. The company's new Sustainability Report had only scarce information on progress related to the potential intensified water scarcity due to the coal mine and potential breach of access to clean water for the indigenous people, environmental pollution, and resettlements. Therefore, the Fixed Income Boutique ESG Research team and the Corporate Bonds team decided to meet with the company to get more insights.

The company was very responsive and in August 2022, a meeting took place with the head of sustainable development and the head of investor relations at the company's premise.

In September 2022, a public conference call with the management of the company's subsidiary in Latin America was organized.

¹ The process for monitoring of severe controversies is explained on page 33.

Outcomes

The direct 1-to-1 meeting in the company premises was important to not only get more information on the progress (always under fair disclosure rule) but also to get an impression of how serious the company is taking our, and other, stakeholder's concerns. In addition, the company pointed out that the Sustainability Report 2022 will provide more details on the coal mine operations.

The company acknowledged some deficiencies in the management of environmental impact and resettlements. Since then, the company adheres to the various rulings including prior consultations with the local communities (several hundred), holds regular roundtables to achieve satisfactory agreements with the local communities and conducts additional and regular technical studies of environmental and social impacts.

Progress was highlighted with regard to water quality and water quantity through monitoring stations before and after mining sites. This was verified by the FIB ESG research team. However, it was noticed that the company should disclose data from third-party studies on their website.

The company mentioned also that the diversion of the river did not intensify the water scarcity. This was verified by the FIB ESG Research team based on satellite pictures (Google map, apple map) showing that around the new artificial/natural riverbed ecosystem is being re-established and will be monitored in coming months.

Furthermore, the company is investing in water infrastructure to improve access to water for the communities as the government (which changes almost every year) does not provide such investments.

Stakeholder engagement with the indigenous people and local population has been improved. There are regular meetings with the several hundred communities around the coal mine site.

To respect cultural heritage sites, the company is in the phase of rolling out its cultural heritage policy in Latin America including sharing best practice between different country teams. With the specific allegation of not respecting a cultural heritage site in the area of the coal mine site, the company mentioned it was unclear as no records have been found. The FIB ESG research team could not verify the statement but acknowledges the difficulties due to the colonialization and lack of written records.

The conference call with the management of the company's subsidiary in Latin America provided additional insights in the monitoring processes of water quality and quantity, air quality (e.g., interactive dashboards), measures to improve biodiversity and the roundtables with the indigenous people and local communities.

Overall, the direct engagement underlined that progress is underway.

Next steps

The issue is not solved yet. The FIB ESG analyst acknowledges that the company made progress. However, when compared to its peers, evident gaps are identified based on the scorecard for International Council on Mining and Metals (ICMM) members and the results of the responsible mining index 2022. Therefore, progress will be monitored in coming months also with regard to transparency around third-party studies on water flow etc.

Carbon finance

Engager

Sustainable Equities Boutique: Listed Impact Equities team

Issuers

Bank Rakyat Indonesia Persero Tbk PT (Rakyat)

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Environment:

- Climate change
- Natural resource use/ impact (e.g., water, biodiversity)

Strategy, Financial and Reporting—Corporate reporting (e.g., audit, accounting, sustainability reporting)

Rationale and context

Bank Rakyat is one the largest banks in Indonesia. This country is the fourth most populous nation in the world with a total of 270m people with less than USD 4,000 GDP per capita on average. In Indonesia financial inclusion is below the global average. Increasing “bancarization” is considered a step toward better living standards. Rakyat is a leader in financial inclusion, it focuses on micro, small, and medium enterprises (MSMEs) and ultra-micro loans, it also provides banking activities based on shariah principles, targeting a segment of the population that is even more underbanked than the rest of the country. It serves over 32m MSME borrowers, including over 12m underserved female. Micro and ultra-micro loans to MSMEs/ SME reached 83 percent of total book, incl 47 percent for micro and ultra-micro only, with SME lending being the rest.

Based on our assessment, Rakyat is an impactful bank, contributing to the impact pillar “equal opportunities” and aligned mainly with SDG 1 (no poverty), SDG 5 (gender equality), SDG 8 (decent work and economic growth) and SDG 10 (reduced inequalities).

Given its significance in the Indonesian economy, the bank has a (small) lending exposure to clients in the petrochemical and thermal coal mining sector (1 percent of the loan book), which is at odds with our belief that economies should transition to a lower carbon paradigm.

Engagement’s objective

Encouraging the bank to follow best practice in the banking industry with reference to its lending activity. These are based on the United Nations (UN) Principles for Responsible Banking (PRB), The Partnership for Carbon

Accounting Financials (PCAF) and the Net-Zero Banking Alliance (NZBA).

Methods of engagement

Letter, meeting (video conference)

Leadership level

Senior executives

Engagement process

In January 2022 we wrote to the CFO asking for a video conference with top management to discuss the long-term strategy in relation to lending principles to the fossil fuel industry. We had a video conference call with the CFO and her team, and in February we followed up with a 12 page long engagement letter in which we provided highlights on UN PRB, PCAF and NZBA and how to become a signatory. We also shared links and snapshots from the sustainability reports of selected signatories, with the aim to provide Rakyat with practical industry examples from emerging and developed markets listed banks.

Outcomes

In May 2022, Rakyat joined PCAF as evidenced by carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-financial-institutions.

During our follow up video conference in September 2022, the CFO and her team updated us on the group’s recent progress in ESG. They told us that the membership to PCAF will allow them to calculate the group’s financed emissions more accurately and Rakyat’s next sustainability report will report on this progress.

Next steps

We will carry on our engagement for the bank to set hard ESG limits such as maximum carbon emissions by their clients (total scope 3 financed emissions). In addition, we will continue to encourage Rakyat to engage with its own clients/borrowers to adopt Science Based Targets (SBTi) to set pathways for their decarbonization.

Beyond the financed emissions field, we will continue to encourage management to disclose more details on Rakyat’s sustainable finance goals, with the identification of target areas. As to gender and diversity, we will monitor progress toward the stated goal for Indonesian SOEs to have over 25 percent gender diversity in the board/ executive management by 2025.

Raising the bar on ESG disclosures— multi-year engagement

Engager

Engagement related to transparency is a topic pursued by several investment teams. This case study highlights the efforts of the Sustainable Equities Boutique (Listed Impact Equities team, mtX team).

Issuers

For the Listed Impact Equities team: all portfolio companies, for mtX selected companies

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Strategy, Financial and Reporting—Corporate reporting (e.g., audit, accounting, sustainability reporting)

Rationale and context

As investors, we pay particular attention to how companies are prepared for and managing their material sustainability risks. For some investment strategies, we also look at how companies are positioned to seize opportunities arising from sustainability, and how they tackle environmental and social challenges through their products and services. For example, our Listed Impact Equities strategies are structured around the belief that we can tackle large-scale challenges by actively selecting and owning shares of companies offering scalable business models in areas requiring billions of dollars of investments over the next decades.

To enable us as investment managers to understand how a company is positioned in terms of sustainability aspects and quality, comparable data is essential. Wherever possible, we rely on reported data from the portfolio holdings. This includes annual reports, CSR reports, website or other investor information. We may also have recourse to third-party ESG data provider, as explained on page 26.

It is our belief that disclosure (or lack thereof) does not in itself determine companies' sustainability performance. In a context of lack of internal standards on sustainability reporting, we observe a wide range of sustainability disclosures extent, depth and quality, especially across regions. While more standardized disclosures are getting established in Europe, disclosures in emerging markets are still a mix of voluntary and regulatory disclosures. In some markets such as China domestic listings, regulatory requirements are fragmented across industries and government agencies; in others, like South Korea, ESG disclosures are gradually becoming mandatory, in phases.

In turn, more disclosures may also not be a guarantee of good practices. An interesting model "ClimateBERT", found that firms who claim to support TCFD mostly engage in empty promises and only report on climate risks that are not very significant, rather than reporting on all material risks.¹ We make similar observations in practice.

A part of our engagement efforts is therefore, to convince companies to expand and improve their sustainability reporting. We believe there are several benefits arising from such a trend:

- By engaging directly with companies, we can support the companies in understanding what risks / metrics are materially important to focus and report on.
- This leads to a more transparent market, allowing stakeholders to better understand a company's sustainability performance in absolute and relative terms.
- We as investors are better able to understand companies' activities and sustainability performance, allowing us to take informed investment decisions.
- As our portfolio reports are an aggregate of issuers' information improved disclosures allow us to provide more detailed assessments to our stakeholders. For instance, our Listed Impact Equities team publishes an Annual Impact Report for the financial products they are managing.

¹ Bingler, Julia Anna, et al. "Cheap talk and cherry-picking: What climatebert has to say on corporate climate risk disclosures." Finance Research Letters 47 (2022): 102776.

Engagement's objective

We were specifically focused on

- requesting additional data for our own analysis and reports and
- motivating companies to measure and publicly disclose the required data and indicators.

Methods of engagement

Letter / e-mail, meeting (in person or teleconference)

Leadership level

Essentially Investor Relations

Engagement process

Our teams choose different ways of engaging with companies on this topic. Our Listed Impact Equities team, for example, has been using a letter explaining their needs, with a list of KPIs they expect companies to report on. These KPIs are also disclosed in their Impact Report.

Our mtx team has prioritized companies to engage with on disclosures, based on their work structured around the Minimum Standard Frameworks (MSFs) (more information about the MSFs can be found on page 31). They have been identified based on important gaps found during that research.

Outcomes

The Listed Impact Equities team's letter was sent in April 2022, and more than 30 companies took the time to thoroughly answer our survey, some however only with limited data. The relevant environmental and social metrics for the portfolio companies—mainly linked to their products and services—were applied where data was available or could be estimated. The team aimed to obtain the most recently available environmental data from the invested companies; for over 90 percent, the data is from company's fiscal year 2021.

On the social indicators side, one of the challenges was for us to find reasonable social impact indicators for the stocks contributing to our social impact pillars. It is more demanding to find indicators here that can easily be aggregated as on the environmental side, where kWh of energy production or m³ of water recycling or savings are common metrics for many activities. Additionally, we observe that while on the environmental side, certain standards are established in reporting practices, disclosing social indicators remains very heterogenous throughout our portfolio holdings. It was the second time we collected social indicators data, as the corresponding investment strategy was only launched in April 2021. For the 2022 impact report, we sent out all the last years gathered impact indicators to the companies. Together with some additional research on individual stocks, we extended the list of impact indicators to overall 21 environmental and social indicators. We specified certain social indicators in more details or were divided in two or more specific indicators for certain impact pillars. For the pillar "equal opportunities" for instance, we now report on "loans granted to minority or female lead businesses", "underbanked people served" and/or "sustainable finance". For the impact pillar "sustainable food & agriculture" we introduced the new indicator "efficiently farmed land". In an engagement call with Deere, we discussed possible impact indicators and they showed us their approach of "engaged acres" related to sustainable practices in farming. To make this indicator more applicable to other companies in this impact pillar we broadened it to the term "efficiently farmed land". Our active communication with the portfolio holdings allows us to improve and align quantitative indicators over time. As such, we get more data from the holdings on commonly agreed indicators.

	TOTAL REPORTING COMPANIES
Carbon footprint (scope 1&2)	61
Potential avoided CO2 emissions	16
Renewable energy generated	5
Renewable energy shipped	3
Renewable energy use in production	31
Drinking water provided	2
Wastewater treated	1
Waste managed as a service	24
Cargo rail transported	1
Passengers transported in an eco-friendly way	1
Material captured for circular economy	15
Beneficiaries of affordable medical solutions	4
Patients or people reached	10
Users of nutrition solutions	2
Education/ information provided for	2
Jobs created through micro loans	1
Women empowerment	3
Loans granted to minority or female lead businesses	4
Underbanked people served	5
Sustainable finance	5
Food produced responsibly	3
Efficiently farmed land	2

The mtX team interacted with four invested companies in 2022 on the topic of ESG disclosure, giving them feedback on their reported information, and encouraging further disclosure and transparency.

For example, we engaged with a cement industry company in China with the objective of encouraging further reporting on carbon emissions and becoming more transparent on their decarbonization efforts. The company responded in April that they would consider publishing the data and in June 2022, the company published their carbon emissions and more information on their carbon reduction strategy in their ESG report.

For a pharmaceuticals manufacturing company in India, we shared our feedback on the company's first Integrated Report 2021 / 2022 with the objective to encourage more transparency on its material ESG areas. The mtX ESG team analyzed the report, and we suggested more detailed disclosure on several topics such as: 1) strategy to improve access and affordability of medicines; 2) recall management procedures and recalls severity levels, and its supply chain management systems; and 3) responsible marketing practices, especially on controls to minimize risks of misconduct. We will follow-up with the company mid-year 2023, once the next report is published.

With a consumer discretionary company in China, we started our dialogue in 2021, as part of our ESG due diligence process. In February 2022, the company approached us for our suggestions on the breadth and depth of ESG disclosures for their upcoming report, which would be published in April 2022. We revisited the material ESG issues together with the company and suggested detailed disclosure on its environmental policy, e-waste treatment, employee relations policy, supply chain due-diligence process, ESG-linked KPIs, and supplementary data to illustrate the effectiveness of its control processes.

Next steps

Proper disclosure continues to be a topic of focus in several industries as we strive to create awareness about global standards and best practices.

Users' digital rights and freedom of expression (FOE)

Engager

Sustainable Equities Boutique: mtX team

Issuers

Large ICT (Internet, Communication, Technology) company (China)

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Social:

- Human and labour rights (e.g., supply chain rights, community relations)

Rationale and context

Against the backdrop of the expansion of influence of large ICT (Internet, Communication, Technology) companies, there is increasing threat to users' freedom of expression (FOE) and privacy—such human rights in online environments are often referred to as digital rights. Violations of users' digital rights may include targeted surveillance, censorship of dissident voices, marginalization or discrimination against targeted individuals, groups and communities (including due to artificial intelligence and algorithmic bias), disclosure of users' data to governments in the name of legal purposes without evidence or validation of claims, spread of misinformation and viral hate speech etc. Digital rights issues are reshaping the risk profiles of ICT companies as their business models, technical design and operational decisions can pose prominent human rights risks. In turn, elevated risk profiles can have financial impact on companies.

An internet company has been reported in various journalistic articles for enabling violation of users' digital rights via its sharing of data with the state and censorship of a growing number of topics on its social media platform. Due to the scale of its business, the company is perceived to be a facilitator of mass surveillance and censorship. The company operates in a country in which the government has tight control on how information is disseminated, and the company must abide by the state's content and internet ecosystem regulations. We engaged with the company because we believe that within the context of the law, there is scope for improvement towards users' digital rights, particularly with higher levels of transparency around FOE and privacy.

Engagement's objective

Objectives: Greater transparency on FOE and privacy in terms of:

- Disclosure of handling mechanisms for censorship/surveillance and government data requests, including how they assess, mitigate, and provide redress to users e.g., giving users meaningful control over their data and data inferred about, affording clear options to access and control their own data including if and how it is used and access to remedy when needed.
- Formulate robust human rights/FOE policy with strong implementation mechanisms, including conducting human rights due diligence/risk assessment across all products and regions to identify how government regulations and policies affect FOE and privacy and how this can be mitigated.
- Produce a Transparency Report with disclosure of censored content under government agency request (including key words/issues censored; number/volume of requests to remove, filter, restrict or share content or accounts and the legal basis for it; notifying users when impacted, and appeal avenues). We may start with their policy on handling foreign government requests.
- Public declaration on forbiddance of back-door access to private data.

Methods of engagement

Meeting (video conference)

Leadership level

Investor Relations

Engagement process

We held an initial conference call in September 2022, with the company investor relations' team to exchange views on the concerned issues. Our focus was on their policies and processes to evaluate government data requests and apply the ecosystem content law, including oversight to ensure they do only the minimum required by law and ensure users are informed where their data is shared. We pressed them to publish a Transparency Report and put in place a human rights due diligence process. We learnt that the company relies on the content team's expertise and discretion to decide if content is deemed a violation of local law, which can be a subjective process given the regulation is over-arching and implementation is applied at a granular level. The company informed us that it was benchmarking global best practices and conducting a feasibility study on what they can disclose with a view to improving its disclosure levels in its 2023 ESG report. The company also discussed becoming a signatory of the United Nation Global Compact (UNGC), we encouraged this while advising on the need to have the right implementation measures in place. We understood that the company was in listening mode and was open to improvement in these areas.

We followed up the call by e-mailing examples of human rights/FoE protection and transparent disclosure by its domestic and global peers for their benchmarking and feasibility studies. We also shared information on EU ESG regulations to better explain investor pressure on these topics.

In October 2022, we held a conference call with lead engagers from Ranking Digital Rights (RDR) and a director from the Investor Alliance for Human Rights (IAHR). We learnt that it has been a challenge for them to engage with company, and that our conversation with the company is notable progress. We gained more insights from RDR on the areas where the company lags behind domestic and international peers in the ICT sector.

Although we believe the company does internally generate an annual report on censorship (for the government), it will be a highly challenging request for the company to publicly disclose this. We agreed that a more feasible starting point is to request the company's processes for handling foreign government data requests. We discussed divestment versus engagement and IAHR shared their conviction in active ownership as a mechanism to drive positive change.

We held a second conference call with the company's IR and Head of ESG Communication in December 2022. We sought their feedback on the disclosure examples we had previously e-mailed to them of domestic and global peers, to ascertain if they planned to achieve the same disclosure level. They asked for examples that are more relevant to their business (which we sent following the call). The company reiterated its commitment to UNGC membership. In our discussions, the company wanted to focus on digital rights in relation to false advertising, false information, hate speech, scams and abusive contents. However, we repeatedly steered the conversation back to the treatment of FOE on social issues deemed sensitive by the government, including their process for proper validation of legal requests by the government and/or regulators. Our focus was on their processes for evaluating such data requests to ensure narrow application of the Governance of the Online Information Content Ecosystem. The company shared that they had published a government request policy, but it was only in Chinese. We responded that it is good to have a policy, but investors scrutiny is also on its implementation, and that is the reason to provide transparent reporting of censorship statistics and topics. Two days after the call, the company published an English version of their policy for dealing with government requests.

Outcomes

The engagement with the company is still at initial stage. We have been able to build a relationship with the company with active participation from the company's representatives. After both meetings, we shared examples of transparency disclosures and human rights approaches of domestic and international ICT companies. While these examples include companies with different business operations, we nevertheless hoped that they provide a useful reference point for the company's disclosure feasibility study. The level of disclosure and transparency in the company's upcoming ESG report will determine the extent of objective met.

Next steps

We will hold our next meeting with the company in May 2023, after its publication of its ESG report in April. We will set goals and milestones upon reviewing the ESG report. We will also become co-lead and participate in a collaborative engagement with the company initiated by the Investor Alliance on Human Rights. We participated in an initial meeting where the investors in the group exchanged views, objectives and expectations. A meeting with the company has been scheduled in March 2023 for this collaborative effort. We hope that acting with one voice with other investors will be more effective in driving change in the company.

Addressing human rights risks

Engager

Sustainable Equities Boutique: mtX team

Issuers

Electronic component manufacturing company (China)

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Social:

- Human and labor rights (e.g., supply chain rights, community relations)

Rationale and context

With the current global economy landscape, where businesses operate in highly complex and global value chains, addressing human rights with investees have become of paramount importance. From working conditions, to involuntary work or child labor, we pay close attention to companies' actions in this area.

We have been monitoring news concerning human rights violations against the Uighur Muslims in, and beyond, Xinjiang since 2019. We have identified several elements as strong indicators of forced labor: direct evidence of involuntary employment where laborers are transported and living on-site in isolation, under strict surveillance of daily movements, required to attend trainings indicating political indoctrination and inability to freely change employers. If any of these elements are found in any labor transfer program in which the company is involved, in a company's facilities and/or in the facilities of the company's suppliers, it is deemed potential risk of exposure to forced labor. Recruiting labor from Vocational Education Training Centers (VETCs) is also considered a red flag. Companies who are exposed to this issue may face financial, reputational, and legal risks throughout their value chain.

In engaging on this topic, we want to avoid the adverse side effect of encouraging discrimination of hiring Uighurs, a noted problem they already face. We also understand that Chinese companies may face challenges concerning their social license to operate if they do not participate in government social programs.

Engagement's objective

Since 2020, we have been participating in the Investors Alliance for Human Rights working group on Xinjiang Human Rights. This engagement allows us to consult and collaborate with other investors and organizations on this topic.

In 2022, we conducted a comprehensive review of our invested companies, with a focus on supply chain, sourcing, operations, and labor exposure. This review involved extensive research and direct engagement with companies.

We engaged with two companies that were allegedly exposed to forced labor from Xinjiang. Our objective was to examine the companies' communication regarding the allegations and to assess their policies and procedures to mitigate the risk of human rights violations in their operations and supply chain.

We aim to understand the robustness of the companies' monitoring systems, including evidence of:

- Human rights policies that adhere to global standards across all operations.
- Supply chain due diligence and monitoring that extend to the raw materials level.
- Third-party auditing on human rights practices, operations, and supply chain.

Methods of engagement

Meeting (video conference)

Leadership level

Investor Relations

Engagement process

In 2021, an electronic component manufacturing company in China was the subject of a journalistic article linking it to China's Labor Transfer / Poverty Alleviation schemes, which raised concerns about potential human rights violations in terms of Uighur forced labor. We engaged with the company to express our concerns about the allegations therein. The company categorically denied the accusations of forced labor and reiterated its commitment to fair and voluntary employment. It also highlighted its adherence to international codes, such as the ILO Declaration on Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, and its status as a signatory to the UN Global Compact. Additionally, it referenced its internal codes on business ethics, human resource management, its employee handbook, as well as its efforts to strengthen internal processes.

Subsequently, in late 2022, an ESG Rating agency flagged the company as non-compliant with the UN Global Compact. This triggered a series of communications with NGOs, investor groups, academia, ESG rating agencies and with the company. Through detailed due diligence of its recruitment processes using international and local sources, brokers familiar with company operations, in addition to company engagement, we confirmed that the company has adequate hiring measures in place. This includes that it: recruits and on-boards all staff themselves; undergoes regular audits from key international clients with detailed human rights due diligence processes; has its manufacturing sites passed the Validated Audit Process (VAP) audit by Responsible Business Alliance (RBA); and it regularly audits its own Tier 1 suppliers.

Outcomes

In our research, we have found no evidence (nor allegation) of any of the ILO indicators of forced labor in relation to the company's factories or recruitment being violated. We cannot eliminate the risk of forced labor via the state labor transfer scheme, but nor do we find any evidence indicating its presence. Our recommendation would be that the company is on a watchlist for on-going monitoring.

Additionally, as part of our efforts to identify companies exposed to human rights and forced labor in the Xinjiang region, we have created a framework to support us assessing risk and action points. Our engagement with specialist NGOs and academia as part of this engagement deepened our knowledge of the issues and key flags and further supported the development of that risk framework.

Next steps

We will continue to actively participate in industry initiatives, such as the Investor Alliance for Human Rights' working group on human rights and collaborating with ESG raters.

Human rights will continue to be at the center of our engagement plan for 2023, not only ensuring companies' practices ensure the protection of basic human and digital rights.

Biodiversity engagement campaign update

Engager

Quality Growth

Issuers

Two global food companies

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Environment:

- Natural resource use/ impact (e.g., water, biodiversity)

Rationale and context

We discussed our multi-year engagement program focused on biodiversity. Reducing the loss of biodiversity is vital because the loss of species can threaten food security, the provision of medicine (four billion people rely on natural medicines), bioenergy (two billion people rely on wood fuel), and natural protection from hazards, such as flooding and pests—just to name a few glaring risks. Against these risks the negative momentum we face includes estimates from the United Nations that of the 8 million animal and plant species on the planet, a staggering 1 million are threatened with extinction. Nature, society, and the health of our portfolios are interlinked.

Engagement's objective

The aim of our engagement program is to not just to shed light on the activities and actions being taken by companies within our portfolios, but to also get a sense of the range between market leaders and those with more work to do.

Methods of engagement

E-mail, meeting (video conference)

Leadership level

Investor Relations, Operational Specialist, Senior Executives

Engagement process

Since the launch, we attempted to engage with 20 companies on this subject and have connected with 16 across the Quality Growth platform. We maintain contact with the relevant stakeholders from the corporates, to check on any progress that has been made over time.

Outcomes

One company, the world's largest food company accounting for roughly 1 percent of all global food production, has been open to our engagement efforts. We have discussed this issue with a number of their management team including senior members of the divisions with responsibility for dairy products, coffee and cocoa. In 4Q22, the company announced the USD 1 billion renewal of their plan aiming to bring together a number of its projects and targets: 20 percent of its coffee to be sourced from regenerative agricultural methods by 2025, rising to 50 percent by 2030.

Another company, a drinks and snacks business: has launched a significant agreement with ADM to use regenerative agricultural practices within the company's supply chain. This project is estimated to span up to 2 million acres of farmland by 2030.

The agreement will have the companies share resources and collaborate to support a transition by farmers with crops including corn, soy and wheat across 6 US states initially. The program aims to use methods including cover crops, reduced tillage and the responsible use of pesticide.

Next steps

We are excited to see corporations take these important steps and will continue to monitor their progress.

Unionization and content moderation

Engager

Quality Growth

Issuers

Global provider of outsourced customer experience management services (Business Process Outsourcing industry)

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Social:

- Human and labor rights (e.g., supply chain rights, community relations)
- Human capital management (e.g., inclusion and diversity, employee terms, safety)

Strategy, Financial and Reporting—Risk management (e.g., operational risks, cyber/information security, product risks)

Rationale and context

Recently, the company has gone through a volatile period due, in part, to several recent press articles critical of the company's content moderation business. For the past two years, the company has also faced pressure from the UNI Global, a Swiss-based services union, to organize in Colombia and other markets. In 2020, UNI Global Union, a global federation of trade unions, filed a complaint against the company with the Colombian Ministry of Labor regarding workers' conditions. The complaint alleged that the company was violating workers' rights by not providing proper protective equipment and sanitation measures to prevent the spread of Covid-19 in its call centers in Colombia. Additionally, the complaint claimed that the company was violating workers' rights by engaging in anti-union practices, such as discouraging union membership and using intimidation tactics to prevent workers from organizing. UNI Global Union also accused the company of violating Colombian labor laws by not providing workers with fair pay and benefits, including paid sick leave and overtime pay.

Concerns stemming from the combination of these pressure points, along with a change to a Labor Party government in Colombia, led to a sharp sell-off of the company's shares in November 2022.

Engagement's objective

Our goal as active stewards of our clients' capital was to investigate the issue, determine the magnitude and weight of any proven claims, and determine a course of action for our portfolio holdings.

Methods of engagement

E-mail, field trip and on-site visit, meeting (in person and video conference)

Leadership level

Investor Relations, Operational Specialist, Senior Executives

Engagement process

We had multiple engagements with a range of senior managers as well as sending two of our research team to Colombia for further meetings. On-site engagements were attended by an ESG and an investigative analyst from the Quality Growth research team. Our investigative analyst held additional meetings with Colombia's Vice Minister of Labor, the local services union and field officers for UNI Global.

Outcomes

The company announced its decision to exit the highly egregious content end of its moderation segment. It is working with its clients to facilitate the transition which may not always be straightforward. Company management also announced their willingness to come to an agreement with UNI Global and have since signed an agreement that signals its commitment to workers' rights to form trade unions and engage in collective bargaining—while advancing principles on key issues such as health and safety and workplace monitoring. The pact covers the company's 440,000 employees worldwide. The agreement is based on the recognition of core labor rights as established by the International Labor Organization and respect for the OECD Guidelines for Multinational Enterprises.

Next steps

We will actively maintain our communication with management and UNI Global and actively monitor the situation as it evolves.

Transparency and net zero targets

Engager

TwentyFour Asset Management

Issuers

Transport—UK Bus Operator

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Environment :

- Climate change
- Pollution, waste

Rationale and context

As part of TwentyFour Asset Management’s Carbon Emissions Engagement Policy, which seeks to achieve long-term positive environmental outcomes, we engaged with a leading UK bus operator.

We acknowledge the importance of bus travel and the number of positive social factors associated, from cheap, accessible travel to connecting communities. On the environmental side, buses are highly effective in keeping cars off the road which ultimately leads to a reduction in emissions. However, thanks to the evolution of technology and renewable fuels there are alternatives to the fossil fuels currently used to power the bus operator and we believe there is more that they can do.

Given their bus fleet is dominated by diesel-fuelled vehicles, this was the key focus of the engagement. We pushed on their plans to operate a fully zero-emission fleet by 2030 in the UK bus business and by 2035, in the UK coach business.

In parallel, following their success in being ahead of target for their 2°C warming target we pushed them to be more ambitious and shift to a 1.5°C target.

Additionally, this bus operator lacked a separate CSR report, this is something we stressed was important and an area where they lagged peers.

Engagement’s objective

The objective is to see material progress on the decarbonization of the bus fleet while acknowledging this will take time.

Methods of engagement

E-mail

Leadership level

Investor Relations

Engagement process

We engaged with the Head of Investor Relations, via e-mail to raise our concerns. Progress will be slow and we will continue to engage, no need for any escalation at this time.

Outcomes

We received a very detailed response from the bus operator.

The area which is holding back the decarbonization of the bus fleet is the lack of hydrogen infrastructure—they have currently submitted a bid together with another market participant for funding as part of the ZEBRA funding through the National Bus Strategy, for up to 200 Hydrogen vehicles. For their coach business EV technology doesn’t currently work due to the high speed and long distance of these routes so national hydrogen infrastructure will also be required for refuelling a national network. Despite the challenges this bus operator is facing in transforming their bus fleet, this is an area where we must see change in order to meet carbon reduction targets and wider net zero targets. We were provided with a full breakdown of the fuel type of their bus fleet in Northern Ireland, UK and Europe. Their current portfolio is very heavily weighted to diesel vehicles (69 percent), particularly in their UK operations—we fully expect this to improve and will monitor this closely.

Transformation of the bus fleet will take time and government infrastructure support will be necessary – they are currently liaising with the government on this.

We were pleased to hear they plan to publish new net zero group targets which would align to a 1.5°C target following the success they have had in reaching their 2°C.

They acknowledged our comments regarding the lack of CSR report, and this is something they will look to address.

We learned they may look to issue ESG labelled debt in the future. Additionally, in order to finance the transition to zero emissions vehicles they may look to change their asset ownership model to something like the ROSCO model in the UK—this is certainly a positive from an ESG and credit perspective, good for momentum. The bus operator has clear climate reduction targets with ambitious goals to operate a fully zero emission fleet—by 2030, in their UK bus business and by 2035, in the UK coach business.

We re-engaged at the end of 2022, for an update on their progress in decarbonizing their bus fleet. Both the absolute number and proportion of diesel-fuelled vehicles declined with 67 percent. Overall progress is slow but not unexpected given the scale of their fleet, manufacturing challenges and the financial cost associated. They also highlighted future expansion of a further 130 BEVs in operation by year-end, in Coventry, the first electric city and a further 124 Hydrogen buses in operation by 2024. In Geneva, they were awarded a contract where almost all the fleet is electric—this will start operating in Dec 2023—with 22 EVs.

They have addressed our concerns regarding the lack of CSR report and have since published one. They expect to commit to the SBTi's in the near future, subject to successful work on their scope 3 emissions—which is positive progress and will align National Express with 1.5C warming target.

Next steps

Continue to monitor progress on the decarbonization of their fleet and adoption of the STBi's; re-engage in six months.

Governance concerns related to an acquisition

Engager

TwentyFour Asset Management

Issuers

Commercial Real Estate

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Governance:
– Company Strategy

Rationale and context

We were researching the issuer for potential investment given the attractive yields their bonds offered.

Despite strong credit fundamentals, there were a number of factors which raised potential governance concerns regarding the purchase of a 12 percent stake in a peer real estate firm.

This purchase was in total contrast to management's prior communication regarding a pivot away from cyclical commercial real estate. The transaction occurred at a time when the target company's owner who is known to be friends with the issuer's management, was said to be in financial trouble. Additionally, it occurred when the target company was in a blackout period, which tends to prohibit this kind of activity.

Engagement's objective

To understand the rationale behind the purchase and determine if there were material governance concerns.

Methods of engagement

Meeting (teleconference)

Leadership level

Senior Executives

Engagement process

We arranged a call directly with the Group Treasurer and the Senior Treasury Manager to get further clarity on these issues and to determine whether there are material governance concerns.

Given our concerns were confirmed, no escalation was necessary.

Outcomes

The overall response was unsatisfactory. Both the Group Treasurer and the Senior Treasury Manager were unable to provide any detailed rationale for the purchase other than it being cheap despite contradicting company strategy. They were unable to provide any further details on the relationship between the CEOs who remain friends, which we believe is highly suspicious. Additionally, they were unable to confirm whether the stake would be increased further (which it has been) creating greater divergence with the stated investment plan.

Overall, we were unsatisfied with the rationale provided and believe there are fundamental governance concerns surrounding both companies.

Next steps

Continue to monitor capital allocation decisions and governance.

Remediation after an environmental disaster

Engager

TwentyFour Asset Management

Issuers

Mining company

Engagement type

1:1 Vontobel AM got in touch with the company directly

Topic

Environment:

- Natural resources use/ impact
- Pollution, waste

Social:

- Conduct, culture and ethics
- Human and labor rights
- Inequality
- Public health

Governance:

- Board effectiveness

Strategy Financial and Reporting—Risk management

Rationale and context

We were exploring a well-known global mining giant, for potential investment given their incredibly strong fundamental credit profile. We also acknowledge the importance of the mining industry in the transition to net zero. However, on conducting our ESG research, we were very surprised by this mining company's incredibly weak controversies score (which signals poor management of controversies) despite having a very strong raw ESG score.

We are well aware that the mining sector as a whole does have a cloudy past but, looking into the drivers of the controversies score we were taken aback by the sheer. These number were anything from working condition issues to fair wage strikes to environmental damage. More alarming, was a recurring controversy which dates back to the collapse of a Brazilian dam in 2015. This disaster displaced local communities, polluted water supplies and resulted in a humanitarian crisis. What makes this story even worse, before the collapse, the company was made aware of engineering design flaws which were not appropriately rectified.

Engagement's objective

To determine the extent of remedial actions related to the collapse of the Fundão tailings dam in Brazil in 2015, and whether there are any fundamental social and governance concerns.

Methods of engagement

E-mail

Leadership level

Investor Relations, Operational Specialist, Senior Executives

Engagement process

We engaged with; VP Investor Relations, Practice Lead ESG EMEA and Group ESG Officer via e-mail.

We were not satisfied with the response received and noted that the company's efforts are far from what we expect. Response so far from our expectation that no escalation deemed appropriate at this stage.

Outcomes

In the response the company stated only 96 of the 553 households displaced have been rebuilt and all 42 of the programs identified by the Renova Foundation are behind schedule. They provided insufficient details on mitigation of future incidents and actions taken to clean up and compensate for the disaster. Additionally, there is currently a number of ongoing court cases surrounding this disaster.

We believe the lack of action since this disaster highlights more inherent social and governance issues not captured in the company's raw ESG score and reinforces the importance of the controversies score. There is more that the company, and wider mining sector in general, can do to emerge from their past history to become a key pillar of the energy transition but we believe that as investors we must continue look beyond ESG scores and colorful CSR reports and hold those lagging to account.

Next steps

Monitor progress in remedial efforts; however, we would need to see material action before reconsidering our opinion on this case.

Corporate responsibility and sustainability at Vontobel



This section highlights some information about our Corporate Responsibility activities. Our Report on Corporate Responsibility and Sustainability can be found under vontobel.com/sustainability-report.

Economic sustainability

Economic performance and indirect economic impacts

Active participant in economic life

At Vontobel, we have a long tradition of social responsibility and of supporting communities. Our company is an integral part of the global economic system and we benefit from the excellent operating environment in our Swiss home market, with its high standards of education, good infrastructure and political stability. We therefore contribute to the welfare and the stability of the communities in which we work.

As an employer and taxpayer and as an active participant in economic life—e.g., in our role as a purchaser of goods and services and as an investor—we contribute to the creation of value at a regional level in the locations in which we operate. This includes the corporate taxes that we pay annually, as well as the payment of salaries and the provision of innovative and sustainable financial services for private and institutional clients. We also make a contribution by engaging in an active dialogue with the general public about the role of financial services providers.

Anti-corruption

We operate our business with a focus on maintaining the satisfaction and trust of our clients, as well as on protecting and building the wealth they have entrusted to us. We always strive to pursue these goals in accordance with applicable laws, rules and regulations—especially when taking steps to combat terrorism and corruption. Anti-corruption measures are an important part of our compliance system. Effective compliance forms the basis of our long-term success and is therefore a core aspect of our business. Vontobel implements comprehensive, state-of-the-art measures to ensure continuous compliance with laws and regulatory requirements.

All employees can access current and comprehensive policies at any time. They include the “Group policy on anti-corruption and the handling of gifts”, the “Group policy on preventing money laundering and the funding of terrorism” as well as the “Group policy on Conflicts of Interest”.

Environmental sustainability

Vontobel is committed to using processes that reduce the environmental impacts of our activities and help to protect the climate. For many years, we have engaged in various activities to protect the environment and are particularly focused on climate protection. The sparing use of resources, energy efficiency and the reduction of greenhouse gas emissions therefore have an important role to play in our operations. Here is a non-exhaustive list of examples:

- Our Real Estate Strategy is aligned with our Sustainability goals. We prioritize eco-friendly and energy-efficient measures in selecting and renovating office buildings—since 2021, all buildings on the Zurich Campus have been heated and cooled using heat pumps that operate on the basis of geothermal probes or are fed with water from Lake Zurich.
- Vontobel upholds high environmental and social standards and requires its partners to follow responsible business practices. Our procurement process incorporates these principles and is guided by our “Guidelines for sustainable procurement”.
- The company offered more sustainable meals with seasonal produce, less air-transported products and meat. The popular vegan buffet was expanded to include raw vegetables and chefs are sent to Hiltl, the oldest vegetarian restaurant in the world, for training.

We base our carbon emission calculations on the GHG Protocol.¹ Each year, we purchase CO₂ emissions certificates to support projects that save the equivalent volume of emissions. The Vontobel Corporate Sustainability Committee once again selected a climate neutrality project with a focus on forest conservation and the protection of biodiversity in 2022. The project runs under the Verified Carbon Standard (VCS).

We donate a significant portion of our refunded CO₂ levy to the Swiss Climate Foundation to finance projects for small and medium-sized companies’ energy efficiency. Projects in the reporting year included increasing the use of wind power in Switzerland and a digital platform for the reuse of building components.

¹ In our scope 3 operations emissions we include energy-related emissions not included in Scope 1 or 2, business travel with external vehicles, commuting, food, paper, printing, mailings, waste, and water. Other Scope 3 emissions are not included.

Social sustainability

Social sustainability of companies is an essential prerequisite for the quality of life of the societies in which they operate. At Vontobel, social sustainability not only encompasses our responsibility as an employer but also our comprehensive commitments to serving communities.

Since 2004, our clients have been able to lend their support to a variety of projects focusing on social issues, culture, ecology, education or medicine through the Vontobel Charitable Foundation. In 2022, the Vontobel Charitable Foundation contributed a total of around CHF 446,200 of donations and grants. In addition, Vontobel made donations totaling almost CHF 1,333,000 in the year under review. Of this sum, a significant amount was donated to the Swiss Climate Foundation and the International Committee of the Red Cross (ICRC).

Support for contemporary photography

We believe in promoting art and culture as essential components of society, and support creative approaches in producing artworks. Our focus is on photography, which embodies a modern and future-oriented direction. We established “A New Gaze,” a sponsorship award for young contemporary photographers in 2017. Learn more at vontobel.com/art.

Employment

Our employees’ skills and expertise are crucial to our long-term success, and as a global investment firm, we compete with major players and small new companies for talented individuals. To attract and retain top talent, Corporate Human Resources is responsible for positioning Vontobel as an attractive employer with comprehensive employment conditions outlined in the Employee Handbook, which is tailored to specific locations and is regularly updated on the Intranet. Vontobel conducts a firm-wide employee survey every three years, and our results far exceed industry benchmarks. Our sustainability commitments are driven by collaboration, leadership, image, and competitive positioning, and 93 percent¹ of our employees are proud to work for us.

Diversity, equal opportunities and non-discrimination

Vontobel is committed to creating a diverse culture that attracts, develops, and retains top talent through its Diversity & Inclusion Strategy. The company has set long-term goals for Switzerland in the areas of equal opportunities, cultural diversity, and demography. Vontobel invests in networks and alliances that support its goals, provides skill-building workshops to female managers, and signed the Advance Diversity Charter to promote gender equality. The company strives to reflect its target markets by balancing “Swissness” and the nationalities of its clients. Vontobel aims to achieve a balanced mix of young and experienced employees and create a fair working environment that allows everyone to make a comprehensive contribution to the company’s success.

Specifically within Vontobel Asset Management, our workforce is composed of about 67.7 percent men and 32.3 percent women and more than 37 nationalities are represented.²

Marketing and labeling, product development

The Client Units aim to offer each client the best possible service while complying with regulatory requirements. The organization follows legal regulations, including Swiss Financial Services Act and Markets in Financial Instruments Directive, in marketing and product development. They also adhere to self-regulatory rules issued by industry associations to increase comparability and transparency, and follow the Principles for Responsible Investment.

Customer privacy

At Vontobel, protecting client data and complying with legal requirements is a key priority. Cross-divisional departments monitor compliance with parameters related to client data protection, and more information on how personal data is gathered and processed can be found on our website (vontobel.com/privacy-policy; vontobel.com/gdpr; vontobel.com/it-security).

¹ This is the result of our Employee Engagement Survey, conducted in November/December 2021. Results were analysed in Q1 2022.

² As per 31.12.2022

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Further ESG and Stewardship processes

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ESG expertise

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Memberships and working groups

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Our ESG Library

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Appendix 5

UK Stewardship Code

Appendix 1

Further ESG and Stewardship processes

Further ESG and Stewardship processes

In this section, we describe further processes, related to our ESG and Stewardship activities. The information mentioned below may be related to the UK Stewardship Code reporting requirements.¹

ESG Governance-related processes

We want to continuously ensure that our ESG governance structure supports our ambition in terms of sustainability performance, in the context of evaluating market and regulatory developments, internal organizational changes or clients' needs. Within the Corporate Sustainability Committee, progress against the six sustainability commitments is assessed on a quarterly basis. On the basis of this assessment, priorities are set, and further measures are defined.

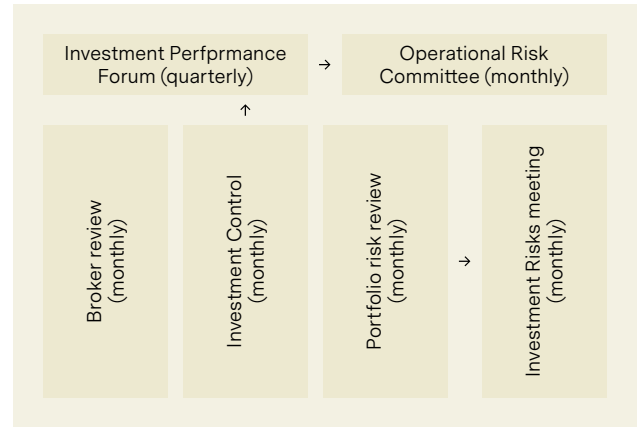
We further developed our Sustainability Governance in 2022. The group-wide Corporate Sustainability Committee (CSC) consists of representatives of top management (or a delegated deputy) from all relevant Client Units and Centers of Excellence. The Committee is responsible for all sustainability-related matters and is the escalation point for the Client Units and Centers of Excellence. The Committee meets on a quarterly basis and is chaired by the CFO/CRO (Head of Finance & Risk). The CSC Terms of Reference set out its responsibilities and decision rights. The Chairperson of the CSC reports to the Executive Committee as required by the ExCo chairperson. On the ESG Investment Forum side, the committee secretary of the CSC, is as a permanent guest of the committee, in order to ensure good information flow and alignment of practices within Vontobel Group.

Risk management committees

An escalation process has been defined for our risk management oversight as described below. More details about our committees and their attendees can be found below the illustration.

Risk related committees and escalation process

Findings, escalation



¹ More information about the UK Stewardship Code principles can be found on page 82.

- Operational Risk Committee (monthly): acts on behalf of the Vontobel Executive Board to exercise oversight of risk management and control framework across the firm, including review of aggregated risk limits, limit breaches, and respective mitigation measures, approval of relevant directives, taking a forward-looking view in identifying potential future issues.
Attendees: CFO / CRO (Chair), Global Head of Risk Investments, Head of Technology and Services, Head of Legal and Compliance.
- Investment Performance Forum (quarterly): boutique-specific meetings on performance and investment risk, including performance review, ex-ante and ex-post portfolio risk review, detailed analysis of selected portfolios, alignment with product descriptions, contractual agreements and regulatory requirement.
Attendees: Global Head of Risk Investments, Boutique Heads, Head of Client Units, CFO / CRO.
- Broker Review (monthly): review approved broker and counterparty list and approve changes, review trading infrastructure projects and status, best execution review.
Attendees: Portfolio Managers, Front Office Support, Investor Services, Middle Office, Compliance, Risk Management.
- Investment Control meeting (monthly): reviews breaches of status and remediation, identification of investment risk and operational risk issues.
Attendees: Head of Investment Control, Risk Managers, Management Company Risk Managers, Head of Operational Risk, Compliance, Front Office Support, Investor Services, Middle Office.
- Portfolio Risk Review (monthly): raises Portfolio Managers' awareness of portfolio risks, ex-ante portfolio risk profile review, ex-ante market risk attribution, investment risk stress analysis.
Attendees: Portfolio Managers, Risk Managers.
- Investment Risk Meeting (monthly): reviews operational risk status and trends, overall risk profile including investment risk, liquidity risk, counterparty risk, ESG risk and operational risk, outsourcing monitoring, approves Investments policies and procedures, reviews and approves product proposals.
Attendees: Global Head of Risk Investments, Head of Business Risk, Middle Office, Boutique representatives, AM/IN Compliance & Legal, VT Management Company Risk Managers

Communication and interaction between the committees and Vontobel legal entities, including investment risk, performance and operational risks reviews, takes place within the framework of governance meetings.

Assess client needs

We are close to our clients and we carefully listen to their needs. We prefer a continuous exchange with clients rather than a sporadic approach. It allows us to anticipate and engage with our clients when it matters, always with a clear and distinct point of view. We consider this approach to be the most appropriate because of the diversity of markets we are active in. Vontobel operates in several regions, with different types of clients, ranging from global banks to pension funds, and different profiles and interests, which results in different needs.

Complementary to our continuous exchange with clients to assess their needs and levels of satisfaction, we acknowledge that a structured and systematic approach is useful. For this reason, we conduct different client surveys.

Survey conducted directly by Vontobel Asset Management

In order to further improve the way we assess clients' needs and levels of satisfaction, we conducted our own survey for our Client Unit Asset Management for the second time, amongst other things to address this issue. The goal of the survey was to measure the satisfaction rate of our clients considering all experiences that the client has had with Vontobel and the net promoter score (measures the likelihood that a client would recommend a company, product or a service). At Group level, the results were discussed at the Executive Board and Global Client Forum levels. In addition, each division of Vontobel evaluated the results and prepared a plan of action based on the feedback from the clients. At Vontobel Asset Management, the results were discussed at the Asset Management Board (AMB) meeting. The majority of clients indicated that they were very satisfied with Vontobel. Nonetheless, we want to achieve improvements in this area and to further strengthen client satisfaction and trust in our company.

Conflicts of interest

Group Conflict of Interest policy

It may not always be possible to avoid conflicts of interest arising when providing financial services, especially those conflicts inherent to employees' roles. However, it is important to settle these issues, as the appropriate identification, management and mitigation of conflicts of interest is evidence that the institution in question strives not to harm its clients, shareholders, employees and third-party providers interests. Vontobel takes its fiduciary duties to clients and beneficiaries very seriously. We apply a consistent and transparent approach to the management of conflicts of interest in accordance with legal provisions. Both Vontobel Group and Vontobel Asset Management have Conflict of Interest policies that define what a conflict of interest is, and which identify examples, describe how Vontobel identifies, documents and manages potential and/or actual conflicts of interest and outline the measures that Vontobel has put in place to prevent conflicts of interest from occurring.

Our Group-wide policy is regularly updated and enhanced (last update took place in July 2022). Our Asset Management-specific policy was developed during the course of 2021 to supplement the minimum standards as described in the Group policy and reinforce the framework applicable to asset management employees.

Vontobel Asset Management aims, by means of regular communication between Compliance and business representatives, to create awareness amongst its employees, to allow self-disclosure of both potential and actual conflicts of interest situations and integration of those conflicts into a central register.

Amongst others, our internal asset management policy encompasses guidance to identify and manage conflicts of interest related to our investment processes (e.g., trade allocation, best execution, proxy voting, employee personal transactions, remuneration).

How Vontobel identifies conflicts of interest

Vontobel has defined an escalation process for its employees in the event that a conflict of interest is identified.

As part of that employees are required to disclose potential conflicts of interest to their supervisor. Vontobel maintains a central register of conflicts of interest and would disclose conflicts of interest to clients wherever relevant (e.g., wherever no effective measure could be defined to resolve the conflict, wherever there is a regulatory requirement to do so. Vontobel Group provided a mandatory compliance training to all employees in 2021, that outlined the policies and procedures for identifying and managing conflicts of interest. All employees were required to pass a test related to the contents of the mandatory training.

The Legal & Compliance Center of Excellence maintains an open dialogue with all employees to allow discussions on conflicts of interest, from initial suspicions until the disclosure and introduction of measures to mitigate the conflict.

Since early 2022, Vontobel has been working on enhancing the set-up to monitor and manage conflicts of interest. As such, a standard software—well known in the industry—will be globally rolled out in 2023 (while currently already in use by some legal entities within the Group), to monitor gifts and entertainments, external mandates and personal account dealings.

How Vontobel manages and mitigates conflicts of interest

The primary objective is to avoid conflicts of interest altogether, by implementing measures such as:

- Ensuring separation of employees and their reporting lines wherever relevant, e.g., financial analysts are independent from other business functions such as client-facing functions;
- Providing clear rules related to employee transactions/ personal securities trading, applicable to all employees;
- Preventing relationship managers and employees in other client-facing functions from establishing business relationships through Vontobel with parties with whom they have close relationships outside of Vontobel; – and requiring disclosure of employees' secondary professional activities and mandates to the proper internal authorities.

→ You will find our public Conflict of Interest policy statement under vontobel.com/en-ch/legal-notice/mifid

Managing actual and potential conflicts of interest related to Stewardship

As a principle, Vontobel handles conflicts of interest related to Stewardship according to the same policies and processes defined to manage other conflicts of interest.

Beyond our standard practices, we have a number of additional measures to mitigate the risks of conflicts of interests related to Stewardship:

- We have a sustainable investing and advisory policy that formalizes principles, governance structures, and processes related to sustainable investing practices;
- We have voting and engagement policies in place that govern the submission of votes in a manner which Vontobel reasonably believes to be in the best interests of its clients;
- We use proxy voting service providers that follow proxy voting policies reviewed and approved by Vontobel. Investment teams must follow defined processes when changing votes including providing appropriate documentation.
- We separate client-facing functions from voting and engagement activities.

Examples of conflicts of interest related to Stewardship

Criteria related to ESG product categorization

The implementation of regulatory requirements in our operations in 2021 and 2022, has presented specific challenges and opportunities related to Stewardship, especially the Sustainable Finance Disclosure Regulation (SFDR) and its Regulatory Technical Standards (RTS) in the European Union. On the one hand, Vontobel faces increasing sales pressure to expand its offering of products that have social and environmental or sustainable investment objectives, and, on the other hand must operationalize rigorous governance and operational processes to ensure the integrity of the investment processes of products that pursue such objectives.

We handled this challenge by taking measures such as:

- Defining clear minimum criteria for our ESG product categories
- Strengthening our product governance related to ESG via our ESG Investment Forum (see further details about our ESG governance in our sustainable investing and advisory policy at vontobel.com/SFDR);
- Initiating a project in 2021, led by our Asset Management Risk team, to document ESG processes and controls within investment teams, sales and product management activities.
- Implementing from 2022 appropriate controls both from first line and second line of defense perspectives.

Incorporating ESG information into investment decision-making

In 2021 we started to analyze the potential conflict of interest that Portfolio Managers might prioritize financial information over ESG information when making investment decisions.

Within investment teams, the identified conflict of interest is partially mitigated by using a rules-based approach to applying minimum ESG standards. Portfolio Managers are bound to apply minimum quantitative ESG criteria such as minimum ESG scores, norms-based exclusions, and sector-specific exclusions depending on the defined ESG strategy of the product. Minimum ESG standards are programmed into data management systems such that Portfolio Managers cannot consider companies that are excluded from the investment universe based on minimum ESG criteria.

Some investment teams, such as those in the mtX franchise and the Fixed Income Boutique also apply qualitative criteria based on proprietary research. In these cases, there is a separation between the roles of ESG analyst and financial analyst, and a consensus must be reached between the views of both parties for the Portfolio Manager to proceed with a trade.

In all cases, binding ESG criteria are defined in the investment guidelines of the financial product and quantitative criteria are independently controlled by our Investment Control team.

Proxy voting

Vontobel Asset Management has implemented a Proxy Voting policy and associated procedures that are designed to ensure that voting takes place in the best interests of clients. In order to facilitate the actual process of voting proxies, Vontobel Asset Management has contracted with independent advisors to analyze proxy statements on behalf of its clients and vote proxies in accordance with its procedures. Processes for deviating from the proxy voting advisor's recommendations are defined. More information can be found on page 37.

Review and assurance

Internal assurance

Committees responsible for reviews and internal assurance

Our ESG governance structure plays a central element for internal review and assurance. It integrates review and assurance processes. Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal

- At Group level, the Corporate Sustainability Committee driven by a top-down approach, drives the sustainability strategy and monitors its implementation. Client Units and Centers of Excellence report to this committee on their progress. Find out more about our ESG governance structure on page 13.
- At Vontobel Asset Management level, the ESG Investment Forum ensures good product governance, by reviewing the compliance of new and re-positioned products with the internally predefined criteria for each ESG product category. Find out more about these categories on page 18.

Periodical review of ESG-related policies, processes and controls

Generally, policies are either reviewed on an ad-hoc or annual basis. There are typically three drivers that might lead to a review of, and change to, underlying policies, processes or activities: 1. regulation, 2. evolving best practice 3. continuing focus on key themes. Reviewing policies is subject to a pre-defined approval process.

The implementation of new ESG regulatory requirements during the past two years, especially the EU Sustainable Finance Disclosure Regulation (SFDR), has brought developments in our internal processes. In this context, we have been continuously developing and implementing controls to ensure that our activities are compliant with the applicable new regulations. As we were approaching the two years of the SFDR implementation, we have decided to initiate an inventory of controls, on the one hand to confirm that our controls framework sufficiently covers our activities and on the other hand to potentially further develop these controls. This exercise will continue in 2023.

Three lines of defense

→ More information about our three lines of defense framework can be found on page 30.

External assurance

External assurance of our reports

Our Sustainability Report, which is an integral part of the Vontobel Annual Report is produced in accordance with the GRI Standards. For the Content Index Essentials Service, the GRI Service Team reviewed that the GRI Content Index is clearly presented and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. Going forward, the document is designed for analysts who want to obtain key information and to easily gain an overview of our engagements. Additionally, one of the GRI standards requirements is to define the report content and the topic boundaries. The Vontobel Sustainability report is based on the sustainability topics that Vontobel had already identified as material topics in previous reporting cycles. GRI topics were discussed and evaluated to assess their relevance for Vontobel and our stakeholders. The material topics were applied to the report prepared in accordance with GRI standards. is based on the material topics that Vontobel has identified using the process defined under the GRI standards to determine material topics and disclosures in various workshops and interviews. Typically, the Vontobel Sustainability Report also includes identified areas to improve and actions to be taken.

An example under the Diversity & Inclusion section (page 108 of Vontobel Sustainability Report 2022, which can be found under vontobel.com/sustainability-report):

“The Diversity Benchmarking performed annually by the University of St. Gallen, as well as the Gender Intelligence Report published by Advance, confirm that Vontobel has a relatively high proportion of female employees and women in more junior management positions, as well as a fairly balanced age mix among employees. However, the proportion of women in leadership positions declines as the level of management seniority increases. The Talent Acquisition team therefore places a targeted focus on ensuring an appropriate mix of female and male candidates in the area of recruitment and promotions. When conducting interview training, an emphasis is placed, among other things, on the importance of having a diverse pool of candidates and avoiding unconscious bias. For these as well as further indicators, see also the tables on the following pages.”

Another example related directly to the GRI framework: as we are following the GRI standards, we detail at the end of our report, for each and every GRI item, where in the report it has been addressed. If the GRI item is not addressed within the report, we provide information about the omission, and potential corrective measures.

While using the internationally recognized GRI standards, we ensure that our reporting is fair, balanced and understandable. Ernst & Young Ltd (EY) has undertaken a limited assurance engagement on selected KPIs of our Sustainability Report.

- FS11: Percentage of assets subject to positive and negative environmental or social screening;
- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity;
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- GRI 305-4: GHG emissions intensity;
- GRI 401-1: New employee hires and employee turnover;
- GRI 405-1: Diversity of governance bodies and employees.

The independent assurance report can be found on page 124 of the Vontobel Annual Report.

Another example is the Impact Report published for our Listed Impact Strategies, which has been reviewed by ISS ESG through a third-party verification, specifically on the Impact Key Performance Indicators used.

External recognition

Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded a four star rating in 2022 for the PRI module “Investment and Stewardship Policy”. Additionally, the leading ESG rating agencies MSCI, Sustainalytics, ISS ESG, and Inrate have given Vontobel above-average sustainability ratings in the environmental and social dimensions. For example, on a scale from CCC to AAA, MSCI rates Vontobel A.

In 2021, Vontobel Asset Management became a signatory of the UK Stewardship Code and demonstrated its compliance with the 12 recognized and ambitious principles. After we received feedback from the FRC in 2021, we successfully addressed the gaps in our next report.

Monitoring service providers**Guidelines for sustainable procurement**

Vontobel strives to conduct its own operations according to high environmental and social standards and we also expect our business partners to help protect the environment and to offer good employment conditions. These aspects are incorporated into our tendering process and serve as a guide when selecting suppliers. The relevant details are set out in Vontobel’s “Guidelines for sustainable procurement”. They address matters such as employment conditions, child labor and forced labor, environmental protection, and the prevention of corruption.

After a review of the policy in 2021, it was updated in April 2022. It became more granular and now includes our expectations on the following topics: legal and regulatory requirements, conflicts of interest/corruption, environmental protection, human rights, child and forced labor, modern slavery and human trafficking, respect at the workplace, working conditions, diversity and inclusion, freedom of association, health and safety.

→ These guidelines are available at vontobel.com/principles-policies and form part of Vontobel's general purchasing guidelines.

ESG Investment Forum as a platform to review service providers

ESG data providers play an important role in the context of ESG analyses, meeting reporting requirements and providing appropriate transparency to our clients.

We set high expectations for the ESG-related services provided by external parties. In particular, they should meet our needs, in terms of quality of data, quality of service and breadth of coverage.

To ensure that ESG data providers can rely on clear expectations, we are in regular exchange with them. We observe that ESG data providers are also looking for this regular exchange, as it helps them to develop their services in a client-centric manner.

The ESG Investment Forum reviews or supervises reviews of our external partners and serves as a platform to raise concerns related to service providers.

Occasionally, our review of services may show negative results. In those cases, we would carefully analyse the provided services, conduct a market analysis and take decisions collectively. This might result in ending the business relationship with the service provider.

→ Read more about the role of the ESG Investment Forum on page 14 and about our service providers on page 26.

Case study

Monitoring of proxy voting service providers

In order to properly monitor service providers, the methodology should be adjusted to the type of services, from the selection of the service providers to the review of their services.

We carefully select proxy voting service providers and we look for the best fit between the scope of their services, their voting policy, possibly their focus and our own voting policy and investment strategies. For example, for our funds focusing on Swiss equities, we have selected Ethos, because of their expertise in the Swiss market.

The relevant team of the entities purchasing these services processes a due diligence of proxy voting services at least every two years. This periodic review targets the ability of a service provider to deliver the contracted service, in that case providing voting services.

Long-term thinking and compensation

Vontobel is a globally operating financial expert with Swiss roots. We stand for long-term and sustainable commitment to our employees and shareholders. Our philosophy is to promote a performance-oriented culture, foster teamwork, and to take a prudent approach to risk. Furthermore, ESG risks and goals are assessed, monitored, and reviewed by our committees to ensure sustainable long-term growth.

Responsible investment goes hand-in-hand with a long-term perspective. At Vontobel, we believe that looking in the same direction and aligning our interests allows us to foster a long-term perspective. Our share participation plan has been part of our compensation system for several years. All employees (with some exemptions) who are awarded a bonus have the option of receiving 25 percent of it at preferential conditions in the form of registered shares of Vontobel Holding AG.

The explicit consideration of ESG factors in our compensation system has been formalized in the reviewed Vontobel's Group Compensation Regulations, which was last reviewed and approved as of January 2023. More information below:

The consideration and alignment of ESG risks and goals within Vontobel's compensation policy reflects the aim of embedding ESG in our corporate values. We encourage entrepreneurial spirit and empower our people to take ownership of their work and bring opportunities to life. We appeal to each individual to have the courage to express an independent perspective, even if that goes against the consensus view.

Compensation principles

1. Pay for performance: A comprehensible overall compensation system that rewards contributions.
2. Drive culture: Promote an ownership mind-set and courage. Foster performance- and team-oriented culture.
3. Aligned and long-term orientation: Take account of the long-term interests of clients, employees, shareholders and the company.
4. Competitive: Offer competitive compensation to attract and retain talent.
5. Compliant: Commitment to comply with legal and regulatory requirements. Promote risk consciousness and prevent conflicts of interest. ESG risks and goals are an integrated part of Vontobel's compensation policy

The variable compensation serves the purpose of motivating employees to strive for exceptional long-term performance. The variable component is split into bonus—cash or deferred—and long-term incentives.

Variable compensation is based on the performance at Group level down to the level of the division and entity as well as the individual performance. Variable compensation is influenced by various key objectives, among them ESG risks and goals.

Vontobel's Group compensation policy can be found under vontobel.com/SFDR.

Appendix 2

ESG expertise

Integrated setup and ESG experts

As described on page 20, our ESG specialists are embedded in our boutiques, which reflects our specialists' profile and our belief that ESG topics shouldn't be discussed within silo functions. Embedding our ESG specialists in our boutiques was a natural consequence of our ESG integration process. We believe that the deep integration of ESG know-how across all our boutiques helps us making better investment decisions, and that this integrated

structure brings even more relevance to ESG considerations into our investment decisions. Our ESG analysts sit together with financial analysts and Portfolio Managers, which fosters continuous exchange.

Our ESG network forms the core of our ESG expertise. The ESG network, consist of dedicated ESG analysts, analysts undergoing deep research on ESG topics, Portfolio Managers of sustainable strategies, ESG leads of investment boutiques, as well as professionals working on overarching ESG topics. In total more than 30 specialists with different backgrounds work on ESG-related topics, be portfolio management, ESG research or on overarching topics. 14 of them are solely working on ESG-related topics. They build on several years of investment experience and a strong track record in the ESG field.

ESG-related training

Vontobel's success depends to a significant extent on the skills and motivation of its employees. Therefore, we attach considerable importance to promoting employee development. On average, our employees working on ESG strategies and ESG research have gained more than 20 years of investment experience. ESG is a particularly evolving topic and we recognize the importance for our teams to stay up-to-date.

At Vontobel, we believe that on-the-job learning is most effective. Through our setup and the resulting close and daily collaboration between ESG analysts and investment teams, we foster ongoing dissemination of know-how related to ESG. During research meetings, general developments on ESG are discussed. The ESG Center also serves as a platform to monitor the latest developments in an ESG context and is in regular exchange with the investment teams. Certain mandatory training integrates ESG-related topics. For example, we have regular sales training for ESG strategies as well as general education on ESG topics, e.g., in our global or local sales training. Through the Vontobel Academy, our employees can access internal and external training sessions. Additionally, Vontobel subventions ESG-related certificates. A growing number of employees undertakes such trainings.

Furthermore, our employees have access to leading service providers for data, research, and engagement, such as MSCI ESG, Sustainalytics but also brokers. This allows them not only to learn more about the companies they are analyzing, but also to access best-in-class studies and webinars about ESG. We also regularly invite external specialists from our ESG research providers to provide an outside view on relevant issues.

Vontobel supports GreenBuzz, a network to promote sustainability issues through research, education and networking. Since its creation back in 2010, it has grown to 3,000 "buzzers" in Zurich. The association regularly organizes on-site and online events and discussions. As a sponsor, Vontobel offers free tickets to employees to attend the events, and thus encourages discussion on ESG and sustainability.

ESG experts within the investment boutiques



Lara Kesterton
Sustainable Equities



Kevin Loepfe
Vescore



Camilla Leopoldino
Sustainable Equities



Eugenio Carnemolla
Vescore



Xiaoyue Du
Sustainable Equities



Marion Swoboda
Fixed Income



Gayle Chan
Sustainable Equities



Alexia Luyet
Fixed Income



Thomas Trsan
Sustainable Equities



Brian Bandsma
Quality Growth



Matthias Fawer
Sustainable Equities



Emily Kao
Quality Growth



Markus Stierli
Multi Asset



Sudhir Roc-Sennett
Quality Growth



Martin Frei
Multi Asset



Marci Richburg
Quality Growth



Veronika Stolbova
Multi Asset



Managing sustainable portfolios



Roger Merz
Sustainable Equities



Anca Rafaisz
Sustainable Equities



Thomas Schaffner
Sustainable Equities



Anna Holzgang
Fixed Income



Raphael Lüscher
Sustainable Equities



Carl Vermassen
Fixed Income



Antoine Hnein
Sustainable Equities



Sergey Goncharov
Fixed Income



Pascal Dudle
Impact & Thematics



Daniel Karnaus
Fixed Income



Elena Tedesco
Sustainable Equities



Manfred Büchler
Fixed Income



Catrina Vaterlaus
Multi Asset



Thierry Larose
Fixed Income



Marc Hänni
Sustainable Equities



Chris Bowie
TwentyFour AM



Carla Bänziger
Sustainable Equities



Grame Anderson
TwentyFour AM

ESG Center







Lukas Münstermann
Head of ESG Center



Marina Preyssat
ESG Specialist



 ESG Lead representing the boutique in the ESG Investment Forum
 ESG analysis
 Engagement
 Working exclusively on ESG related topics

Source: Vontobel Asset Management.

Appendix 3

Memberships and working groups

We are aware of our responsibility as a global investment firm and corporate citizen. In this way, we have committed ourselves to sustainable development of the environment and society. Through our memberships and participations in working groups, we aim to achieve various objectives:

Public support

Being a member of various organizations and a co-signatory of a number of investor initiatives allows us to materialize our commitment towards sustainability, but also promote these initiatives. Our memberships are generally disclosed on our website. In certain cases, we may provide financial support to these initiatives through donations or memberships.

Adhere to frameworks

Some initiatives such as PRI and UN Global Compact have developed principles and transparency frameworks. By supporting these initiatives, we adhere to their principles and commit to report yearly on our sustainable investing activities according to their specific transparency frameworks.

Contribute to exchange platforms

We believe that working together and sharing our knowledge can contribute to the development of well-functioning markets. As a pioneer in ESG investing, Vontobel has gained experience over many years. Through these platforms, we can share insights from our own experiences, but also benefit from other market participants. In some of these cases, the working groups built around these platforms produce recommendations / reports that are shared and promoted widely.

Contribute to consultations

As mentioned above, certain working groups have specific goals such as the issuance of recommendations, that may also serve as voluntary self-regulation. Especially in the Swiss context, there is an active dialogue between the governing and supervisory authorities, and industry associations such as AMAS and SBA. In other cases, we may directly be involved in consulting working groups. An example is the Climate Expert Panel organized by the Swiss Financial Market Supervisory Authority, to which Vontobel delegated a member in 2021. This small group provides know-how to the regulator by sharing its experience on climate risk-related topics.

We believe that through our participations in these groups, we contribute to the convergence of best practices on the market. Also, it ensures that we are always at the cutting edge of ESG investing and can actively seize growth opportunities resulting from sustainable investment, and thus best serve our clients.

Below, you will find some of our memberships, their purpose and activities, as well as our contribution. We support further initiatives such as “Sustainable Finance Geneva”, “Forum per la Finance Sostenibile”, the “Swiss Climate Foundation” and the “Corporate Support Group of ICRC”.

→ Find an exhaustive list of our memberships under vontobel.com/ratings-and-memberships.

Since 2010

Principles for Responsible Investment (PRI)

unpri.org

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice to act in the best long-term interests of beneficiaries. As a signatory to the Principles for Responsible Investment, Vontobel has committed itself to gradual implementation of six principles for the broad integration of sustainability in investment processes. Through this, we actively deliver our contribution to the transformation to a more sustainable economy. The PRI regularly reports on actions and achievements on their website.

As a PRI signatory, we publicly report each year on our responsible investment activities, within a defined framework of mandatory and voluntary indicators. Based on this report, signatories are rated according to the six PRI modules. Thus, together with over 3,000 signatories, we contribute to more transparency and comprehensible comparability among market participants.

The release of the 2020 transparency and assessment reports, planned for mid-2021 has been delayed by the PRI due to issues with its new online reporting tool. PRI intends to deliver public versions of the reports to all signatories by June 2022, and will delay the opening of the next reporting period until 2023, bypassing 2022 entirely.

→ More information about our PRI ratings under vontobel.com/responsibility.
Find our Responsible Investment Transparency Report under unpri.org.

Since 2017

UN Global Compact

unglobalcompact.org

Global Compact is a strategic initiative of the United Nations for companies such as Vontobel that commit themselves to aligning their business activities and strategies with ten universally accepted principles covering human rights, labor standards, environmental protection, and anti-corruption. Within our sphere of influence as a company, we thus help to promote key sustainability principles around the globe.

→ More about our Sustainability Report in our ESG Library on page 116 and under vontobel.com/sustainability-report.

To mark the 20th anniversary of the UN Global Compact in 2020, Dr. Zeno Staub, CEO of Vontobel, joined other CEOs in signing the “Statement from Business Leaders for Renewed Global Cooperation”. In doing so, we pledged to uphold principles relating to the elimination of systemic inequalities and to partnering with the UN, governments, and society. Through this initiative, we also call on governments to protect human rights, create an enabling environment to serve the interests of people and the planet, and combat corruption.

Since 2020**Global Impact Investing Network (GIIN)**

thegiin.org

Impact investments aim at creating measurable social and environmental impact alongside a financial return. GIIN is dedicated to increasing the scale and effectiveness of impact investing. By convening impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry's development through focused leadership and collective action.

Our membership gives us access to industry resources and tools, as well as Impact Measurement & Management (IMM) Support, such as customized guidance around building and optimizing IMM practice. Additionally, it gives us the opportunity to network with experts globally and to exchange experiences. Our Listed Impact Team actively participates in the GIIN Listed Impact Working group. The two main objectives of the Working Group are to: (1) Understand how strategies delivering impact in listed equities can align with the expectations of the Core Characteristics. (2) Provide reference points for best practice in order to support investors in structuring and deploying effective impact strategies in listed markets.

After publishing a first guidance document on impact investing in listed equities ("Impact Investing in Listed Equities | Strategies for Pursuing Impact"), the group convened to review strategies for achieving impact in listed equities, by surfacing examples of current practices, and identifying how practices can align with the GIIN's Core Characteristics to move the market towards more consistent baseline expectations. The GIIN invited public comment on this draft, and the official guidance will be presented by the end of year.

Since 2014**Swiss Sustainable Finance (SSF)**

sustainablefinance.ch

Vontobel is a founding member of SSF and played a significant role in setting up the organization. The SSF strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating, and catalyzing growth. Vontobel hosts and sponsors SSF events and actively contributes to SSF publications like the annual Swiss Sustainable Investment Market Study, which has become a reference publication for the Swiss market for media and associations. Additionally, with its practice-oriented approach bringing together market participants, SSF serves as an exchange platform for different organisations, including the Swiss government and supervisory authorities.

Vontobel co-leads the Wealth and Asset Management Workgroup at SSF: This workgroup aims to promote sustainable investing in Swiss private wealth and asset management and further strengthen Swiss offerings in this field. To do so, the group runs projects and publishes different guides to support market participants. An example is the report "100 terms related to sustainable finance" whose goal was to align on the language used when talking about sustainable finance. Another example is resources provided to Swiss financial market participants to support for regulatory changes related to the implementation of the EU Action Plan for Sustainable Finance. Vontobel participated in webinars and workshops to promote and present these resources. Specifically in 2022, SSF published a guideline for the advisory process, initiated a review of the market study approach and started a project for a derivative guideline. Vontobel was part of the respective working groups. In 2023, the group will finalize this project with the goal to provide a guideline on how to deal with derivatives in an ESG context.

Since 1993**Asset Management Association Switzerland (AMAS)**

am-switzerland.ch

The Asset Management Association Switzerland is the representative association of the Swiss asset management industry. It aims to strengthen Switzerland's position as a leading center for asset management with high standards of quality, performance, and sustainability. To this end, it supports its members in developing the Swiss asset management industry and adding value for investors over the long term.

Asset Management Association Switzerland key project was the launch of a principle-based Sustainable Finance Self-Regulation which was published in October 2022. In addition, AMAS together with SSF provided a detailed recommendation on how the Swiss Climate Score as a product reporting element (put in force by the Swiss Federal Council) can be applied.

Since 1924**Swiss Bankers Association (SBA)**

swissbanking.org

The Swiss Bankers Association is the Swiss financial sector's leading industry association. The main objective is to create the best possible operating conditions for banks in Switzerland. As the umbrella association of Switzerland's banks, the Swiss Bankers Association (SBA) brings together some 260 member institutions from the various bank categories and other financial services providers. The Association represents the financial center's interests vis-à-vis politicians, authorities and the general public.

SBA has set the sustainable finance topic as one of their key priorities. Vontobel supports SBA with regular contributions participation in subject-driven working groups. Vontobel also provides the representative for ABG/VAV on the SBA Expert Commission Sustainable Finance. He also chairs the ABG/VAV's Sustainable Finance Working Group which he represents on the Expert Commission. Vontobel continued its active work in the interdisciplinary "Taxonomy" working group. The goal is to compare different international taxonomic approaches with one another, as well as with the existing conditions in Switzerland and to form a clear picture of where relevant differences lie and to what extent Swiss legislation may need adapting. This workgroup also contributes to consultation rounds organized by the Swiss government on sustainable finance-related topics.

Since 1984**Association of Swiss Asset and Wealth Management Banks (VAV/ABG)**

vav-abg.ch

The VAV is the Association of Swiss Asset and Wealth Management Banks. It comprises 23 banks which are headquartered in Switzerland and primarily operate in the area of asset and wealth management for private and institutional clients. Its members manage assets totalling over CHF 1,200 billion and employ around 19,000 staff in Switzerland and abroad.

Vontobel leads the Working Group Sustainable Finance of the VAV/ABG. On behalf of all members the working group has developed 12 Priorities for Sustainable Finance as a voluntary framework. The goal of this working group is to exchange and transfer knowledge on relevant ESG topics, development, updating and tracking of ABG/VAV priorities for Sustainable Finance as a joint contribution to the transition to a more sustainable economy and society.

We are also a participant of the VAV Contact Group Sustainable Finance whose goal is to provide an exchange platform for VAV members, based on industry experts' input. Current topics are for example the EU and international development in sustainable finance, SBA self-regulation on client ESG preferences and ESG risk integration, greenwashing prevention measures.

Appendix 4

Our ESG Library

Sustainability Report

At group-level, Vontobel publishes a sustainability report, as part of the annual report.

→ Find our Sustainability Report under vontobel.com/sustainability-report.



RI Transparency Report

As a PRI Signatory, we report publicly on our responsible investment activities each year.

→ Find our RI Transparency Report under unpri.org.



Our principles and policies

We have diverse principles and policies in place that guide our activities:

- Code of Conduct
- Sustainable Investing and Advisory policy
- Guidelines on cluster bombs and land mines
- Voting and Engagement policies

→ Find more information about these policies on page 14 and under am.vontobel.com/esg-investing.

Newspaper articles and podcasts, insights and webinars

We regularly produce and share our research findings and thoughts about ESG-related topics on our website.

→ Find more under am.vontobel.com/insights.

International conferences and roundtables

We regularly share our views and knowledge through speakers at international conferences.

Appendix 5

UK Stewardship Code

More information about these principles can be found under frc.org.uk.

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